The Research On Management Power, Executive Compensation, And Corporate Value Of Chinese-Listed Companies

Baochan Li [1], Anan Pongtornkulpanich [2], Thitinan Chankoson [3, *]

Abstract:

In this study, the purpose is that as trustees of the owners, senior management personnel control enterprise resource allocation and make significant decisions. Implementing effective power allocation mechanisms for management personnel and incentive systems for executive compensation can enhance enterprise value. This paper aims to investigate the interconnections between management power and executive compensation, executive compensation and corporate value, management power and corporate value, as well as the potential mediating impact of executive compensation on the relationship between management power and corporate value. The research design involves an empirical study conducted using data collected from Chinese-listed companies spanning the years 2013 to 2022. The relationships between management power, executive compensation, and corporate value were empirically examined through literature research, principal component analysis, and multiple linear regression methods. The empirical results indicate that increasing management power can lead to elevated executive compensation, subsequently enhancing corporate value. Furthermore, executive compensation exhibits a significantly positive influence on corporate value, and it functions as a mediator between management power and corporate value in the current Chinese context. The research limitations include that the study did not analyze the impact of the power held by independent directors and other entities on enterprise value within the measurement of management power. Additionally, the measurement of executive compensation did not encompass non-monetary benefits. The practical implications suggest that management power positively affects executive compe[1]nsation, and executive compensation operates as a mediator between management power and corporate value. Consequently, endowing management with appropriate power and designing a rational executive compensation system can effectively enhance corporate value. The research's value lies in the empirical findings that highlight the mediating role of executive compensation between management power and corporate value. These results provide empirical insights into the control of

[1, 2] Chakrabongse Bhuvanarth International Institute for Interdisciplinary Studies (CBIS), Rajamangala University of Technology Tawan-ok, Thailand.

[3*] Faculty of Business Administration for Society, Srinakharinwirot University, Thailand.

[3, *] corresponding author: Thitinan Chankoson

management power and executive compensation, offering guidance for effectively managing these aspects.

Keywords *Management Power; Executive compensation; Corporate Value.*

1. Introduction

Amidst the general decline in global economic growth, exacerbated by factors like the COVID-19 pandemic and the Russia-Ukraine conflict, the global economy has faced repeated severe blows. Many renowned enterprises have responded by implementing extensive layoffs and salary reductions. Consequently, the annual remuneration of Chinese executives has experienced a reversal in its growth trajectory. According to the China Entrepreneur Value Report (2023), the average value of the highest annual salary among listed companies in 2022 reached 1.7141 million yuan, marking a yearly increase of 3.63%. The "rent extraction perspective" asserts that existing executive compensation agreements fail to accurately reflect the objective of maximizing shareholder value. Instead, these contracts seem tailored to benefit executives who wield excessive power (Bebchuk, 2005). Hence, unbridled management authority can result in inflated executive compensation levels, potentially jeopardizing the enterprise's sustainable development (Guo, 2020). On the contrary, the "tournament theory" adopts a divergent stance. According to this viewpoint, the traditional principal-agent theory falls short in capturing the true essence of executive compensation agreements (Kang, 2002). If each executive is seen as a participant in a competitive arena, additional compensation serves as a reward for exceptional performers. Executives can only attain higher compensation through diligent effort and dedication. Moreover, the conscientiousness of executives can enhance operational efficiency, curbing agency costs and ultimately augmenting corporate value (Xie, 2014; Bu, 2018; Cao, 2019). This study seeks to address pivotal questions: Can the prevailing executive compensation framework in China effectively propel the growth of corporate value? What influence does management power exert on executive compensation and corporate value? Furthermore, how does executive compensation interplay with the process through which management power shapes corporate value? By examining A-share listed companies, a representative cross-section of Chinese enterprises, we aim to elucidate the intricate interplay between management power, executive compensation, and corporate value in the current landscape. This empirical investigation intends to provide substantiated insights for relevant governmental regulatory bodies and company proprietors, facilitating the enhancement of executive compensation incentive systems and internal governance mechanisms.

2. Core Concepts and Research Hypotheses

2.1 Core concepts

2.1.1 Management Power

The Company Law (China) proposes that senior management personnel of a company include the general manager, deputy general manager, financial officer, secretary of the

board of directors of a listed company, and other personnel specified in the company's articles of association. "Other personnel" refer to those who allow the company to choose its management methods and hire senior management personnel to grant autonomy to the company. According to the information disclosed in the annual financial report of a listed company in China regarding senior management personnel who receive compensation in the company, and in accordance with relevant provisions of the Company Law, the senior management referred to in this article includes members of the board of directors, general manager, deputy general manager, CFO, secretary of the board of directors, and members of the supervisory board, excluding independent directors and independent supervisors.

The ability of management to respond to internal and external uncertainties within the enterprise is a crucial source of Management Power, which encompasses organizational power, owner power, expert power, and reputation power (Finkelstein, 1992). Management Power signifies the bargaining power that executives possess during fair compensation negotiations with the board of directors. The stronger the bargaining power, the greater the potential for compensation and benefits, leading to a higher rent-seeking premium (Bebchuk et al., 2006). The four-dimensional power theory categorizes Management Power into structural power, ownership power, expert power, and reputation power for measurement (Finkelstein, 1992). Based on this theory, numerous scholars have employed multiple indicators to gauge it, such as Management Power dual roles (Tan et al., 2014), Management shareholding (Sheng et al., 2016), Board independence (Guo, 2017), Management tension (Wang, 2019), management education background (Wu, 2010), insider status (Liu et al., 2020), and investor ownership concentration (Fahlenbrach, 2009).

2.1.2 Executive Compensation

Salary can be categorized into broad and narrow senses (Shao, 2017). Narrowly defined compensation mainly refers to monetary compensation, while broadly defined compensation includes both non-monetary and monetary components. Non-monetary compensation may take the form of equity incentives, pension plans, or paid leave. In contrast to regular employees, executive compensation has always garnered external attention due to its substantial amount. Effectively utilizing compensation to motivate executives presents an ongoing challenge for corporate governance. Executive compensation should be linked to the enterprise's overall performance, and the salary level should adjust in response to changes in enterprise performance (Chen, 2020). Senior executives attach significant importance to their reputation, the need for respect, and the pursuit of greater work autonomy. They prioritize job satisfaction, robust developmental opportunities, an excellent corporate culture, and a collaborative team spirit. Therefore, when designing the salary system, enhancing the satisfaction of the executives' emotional needs could not only reduce the agency costs of the enterprise but also bolster the executives' sense of belonging and mission (Liu, 2022).

2.1.3 Corporate Value

The concept of Corporate Value was initially examined from a financial accounting perspective (Miller et al., 1961). However, beyond the intrinsic value of the enterprise itself, corporate value should encompass the value generated for both the government and society

(Li, 2018). Therefore, this study categorizes corporate value into economic value and social value. The economic value of a company signifies its capacity to generate benefits, which can be reflected in aspects such as profitability, performance, and asset utilization. Corporate social value pertains to the extent to which a company addresses societal needs through value-creating endeavors, aiming to optimize the overall welfare of society. The company's commitment to social responsibility also encompasses providing employment opportunities to society and influencing social norms, customs, and culture (Wang, 2019).

2.2 Research Hypotheses

2.2.1 Management Power and Corporate Value
As stewards of the enterprise, managers possess the authority to influence the enterprise's strategic direction, resource allocation, and scale, thereby impacting its overall value. According to modern Stewardship theory, if the chairman of the board also assumes the role of general manager, managerial authority is notably amplified, allowing the general manager's capabilities to be fully leveraged. This arrangement seeks to actively engage in business operations and augment the enterprise's value (Ren, 2018). However, in situations of relatively dispersed equity ownership and inadequate managerial oversight, managers could exploit information asymmetry to undermine shareholders' interests through behaviors such as negligence, excessive perks, and self-serving control, potentially eroding the enterprise's value (Xiao, 2007; Liu, 2013). Notably, during periods of intense product market competition, comprehensive managerial authority within Chinese listed companies exhibited a substantial positive influence on enterprise value (Guo, 2020). Managers with higher educational backgrounds and equity holdings are better poised to contribute enhanced value to the enterprise. The combined roles of general manager and chairman, along with a higher proportion of independent directors, are more likely to foster improvements in enterprise value. China's current landscape is characterized by rapid market economy development, marked by a full transition to a buyer's market. Concurrently, fierce competition prevails within the enterprise product market. Furthermore, the establishment of a robust modern corporate system in China, coupled with stringent oversight by the China Securities Regulatory Commission over corporate executives' conduct, has effectively curtailed instances of insider trading and corporate financial misconduct (Ye, B., 2008). Therefore, this paper puts forth the following hypotheses:

H1: Management power has a significant positive effect on the economic value of enterprises.

H2: Management power has a significant positive impact on corporate social value.

2.2.2 Executive Compensation and Corporate Value
The prevailing sentiment among scholars in current research is the acknowledgement of the positive influence of executive compensation incentives on corporate value (Tang, 2008). Drawing from the principal-agent theory, it is imperative for enterprises to establish incentive and oversight mechanisms for managers to mitigate the potential moral hazard associated with managerial roles (Li et al., 2008). According to optimal contract theory, the

most effective compensation arrangement involves linking executive compensation to company performance (Liu, 2013). Operating as Bounded Rationality Homo economicus, senior executives evaluate their remuneration vis-à-vis their contributions and subsequently make decisions to optimize their personal interests (Tang, 2014). Consequently, higher compensation serves as a driving force for managers to invest greater effort in augmenting company value. In turn, the elevation of company value consequently leads to enhanced compensation (Sheng et al., 2016). In light of the above, this paper introduces the following hypotheses:

H3: Executive compensation has a significant positive impact on the economic value of a company.

H4: Executive compensation has a significant positive impact on corporate social value.

2.2.3 Management Powers and Executive Compensation

According to management power theory, managers wield their authority to influence and intervene in the creation and execution of compensation agreements. They may establish connections with board members through the promise of shared interests, forging alliances to elevate compensation levels or appropriate excessive remuneration, all with the aim of maximizing their own utility (Bebchuk et al., 2006). The correlation between management power and executive compensation has been found to be positive (Ren, 2018; Du, 2021). Therefore, this article posits the following assumptions:

H5: Management power has a significant positive effect on executive compensation.

2.2.4 The Mediating Role of Executive Compensation

Management, leveraging their authority, can intervene in the salary structure and enhance compensation levels (Guo, 2020). Elevated compensation can serve as a motivating factor for management to invest greater effort, thereby enhancing corporate value (Shi, 2022). Concentrated management power can effectively harness the capabilities of the general manager and thereby augment the enterprise's value (Zhou, 2021). Executive compensation may function as a mediator between management power and corporate value. With this in mind, the following assumptions are put forth:

H6: Executive compensation plays a mediating role between management power and the economic value of the enterprise.

H7: Executive compensation plays a mediating role between management power and corporate social value.

In summary, the Conceptual Framework of this paper is illustrated in Figure 1:
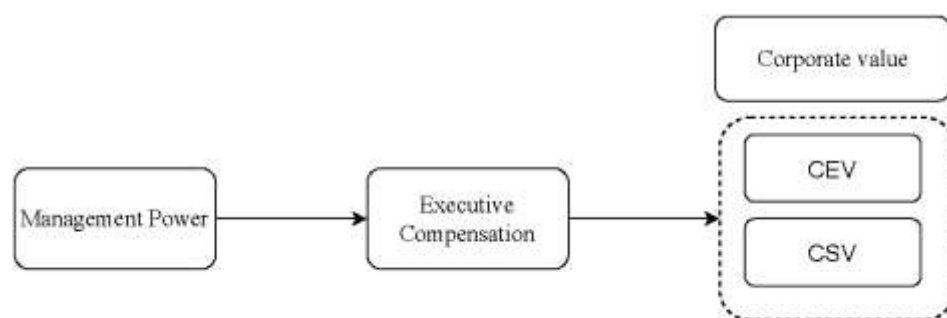
Figure 1 Conceptual Framework

3. Research Design

3.1 Sample Selection and Data Sources

This paper selected Chinese A-share listed companies as research samples to investigate the mediating role of executive compensation in the impact of management power on corporate value. Taking into account factors such as data consistency and availability, the research period was determined as 2013-2022. All data were sourced from the CSMAR database, with any missing data being supplemented through company annual reports, official websites of listed companies, and public channels. The acquired data underwent the following screening process: 1) Exclusion of ST and *ST companies. 2) Due to the unique nature of the business, exclusion of companies from the financial industry. 3) Exclusion of companies newly listed or delisted between 2013 and 2022. For the missing value data, the mean method was utilized for supplementation. A total of 2,142 companies and 21,420 sets of sufficient observational data were identified as research samples.

3.2 Variable Definition

3.2.1 Explanatory variable

The explanatory variable in this study is management power. To measure management power, Finkelstein's "four-dimensional" approach (Finkelstein, 1992) has gained widespread recognition. This article also employs the "four dimensions" (organizational structure power, ownership power, expert power, and reputation power) for measuring management power. The indicators for management power were constructed based on the four-dimensional power theory. The degree of equity balance was chosen to represent ownership power structure (bal, calculated as the shareholding ratio of the 2nd to the fifth shareholders divided by the shareholding ratio of the largest shareholder). The combination of two positions was selected to represent organizational structure power (Dua, where 1 indicates the chairman concurrently serves as the general manager, and 0 indicates otherwise). The average tenure of executives was chosen to represent expert power (Tenure), while prestige power was used to represent management shareholding (Mbo). The determination of management power for the sampled enterprises was conducted using principal component analysis.

3.2.2 Dependent Variable

The dependent variable in this study is Corporate Value, which can be categorized into economic and social aspects (Li, 2018).

1) Enterprise Economic Value: Typically, the economic value of enterprises is assessed from a financial perspective, utilizing metrics such as Price–Sales Ratio (Gao, 2021), Tobin Q (Cao, 2021; Xu, 2022), and Economic Value Added (EVA) (Fang, 2021; Xiao, 2020). In this study, the operational income of enterprises was deemed representative of the economic value generated by them. Hence, Price–Sales Ratio was selected as the indicator for enterprises' economic value.

2) Corporate Social Value: Presently, no universally recognized indicators exist for measuring corporate social value. The KLD database in the United States and the EIRIS database in the UK predominantly conduct evaluations of corporate social performance. Scholars have measured corporate social value through avenues like social donations (Mao, 2012), employee compensation (Pan, 2011), and social contribution value per share (Huang, 2016). However, since social donations and employee compensation might not comprehensively portray the value that enterprises contribute to society, measuring the social value of enterprises through the added value per share of social contribution is advocated (Gao, 2021).

3.2.3 Mediating Variable

The mediating variable in this study is executive compensation. Chinese executive compensation primarily hinges on monetary remuneration (Chen, 2016). Considering data availability, this research employed monetary data acquired by executives as the quantified executive compensation amount. The data originated from the total management compensation disclosed in the annual report of listed companies, encompassing elements such as basic salary, assorted bonuses, benefits, subsidies, housing allowances, and other allowances. Long-term incentive compensation (e.g., stock options, performance stocks) and intangible executive income (e.g., on-the-job consumption, retirement plans) were excluded from this sum. For empirical testing, the executive compensation variable underwent logarithmic transformation.

3.2.4 Control Variables

Taking data reliability and acquisition convenience into account, as well as referencing pertinent literature, this study incorporated the following control variables: stock return (Chen, 2016), company growth (Chen, 2022), company size (Zhang, 2021), equity concentration (Li, 2018), independent director ratio (Zhou, 2021), industry classification, and year.

Table 1 Specific Variable Definitions

Variable	Variable name	Variable Symbol	Variable Definitions

Explained variable	Corporate Economic Value	CEV	Price–sales ratio=total market value of shares at the end of the year/operating income of the year
	Corporate Social Value	CSV	Added value per share of social contribution = (taxes - government tax refunds+employee expenses+interest expenses+social donations)/total number of shares at the end of the period
Explanatory variable	Management power	Power	Combining Dua, Mbo, Tenure, and Bal and using principal component analysis to determine the comprehensive value
Mediating variable	Executive compensation	Lncompen	Ln(Total annual management compensation)
Control variables	Stock return	EPS	basic earnings per share
	Company growth	Rbm	Book-to-market ratio=total assets/total market value
	Company size	Size	Natural logarithm of total assets at the end of the year
	Equity concentration	TOP	The shareholding ratio of the largest shareholder
	Independent director ratio	Pd	The proportion of independent directors to the total number of directors □
	Industry	Indus	Annual dummy

		variable
Year	Year	Industry dummy variables

3.3 Model Construction

3.3.1 Management Power and Corporate Value
Model 1
$$CEV_{it} = \beta_0 + \beta_1 Power_{it} + \beta_2 EPS_{it} + \beta_3 Rbm_{it} + \beta_4 Size_{it} + \beta_5 TOPL_{it} + \beta_6 Pd_{it} + Indus + Year + \varepsilon_{it} \quad (1)$$
Model 2
$$CSV_{it} = \beta_0 + \beta_1 Power_{it} + \beta_2 EPS_{it} + \beta_3 Rbm_{it} + \beta_4 Size_{it} + \beta_5 TOPL_{it} + \beta_6 Pd_{it} + Indus + Year + \varepsilon_{it} \quad (2)$$

3.3.2 Executive Compensation and Corporate Value
Model 3
$$CEV_{it} = \beta_0 + \beta_1 Lncompen_{it} + \beta_2 EPS_{it} + \beta_3 Rbm_{it} + \beta_4 Size_{it} + \beta_5 TOPL_{it} + \beta_6 Pd_{it} + Indus + Year + \varepsilon_{it} \quad (3)$$
Model 4
$$CSV_{it} = \beta_0 + \beta_1 Lncompen_{it} + \beta_2 EPS_{it} + \beta_3 Rbm_{it} + \beta_4 Size_{it} + \beta_5 TOPL_{it} + \beta_6 Pd_{it} + Indus + Year + \varepsilon_{it} \quad (4)$$

3.3.3 Management Power and Executive Compensation
Model 5
$$Lncompen_{it} = \beta_0 + \beta_1 Power_{it} + \beta_2 EPS_{it} + \beta_3 Rbm_{it} + \beta_4 Size_{it} + \beta_5 TOPL_{it} + \beta_6 Pd_{it} + Indus + Year + \varepsilon_{it} \quad (5)$$

3.3.4 The Mesmeric effect of executive compensation on management power and Corporate Value
Using the research methods of Wen Zhonglin (2004) and Chang Yuan (2022) for reference, the Mesomeric effect analysis model is built based on models 1- 5.
Model 6
$$CEV_{it} = \beta_0 + \beta_1 Lncompen_{it} + \beta_2 EPS_{it} + \beta_3 Rbm_{it} + \beta_4 Size_{it} + \beta_5 TOPL_{it} + \beta_6 Pd_{it} + \beta_7 Power_{it} + Indus + Year + \varepsilon_{it} \quad (6)$$
Model 7
$$CSV_{it} = \beta_0 + \beta_1 Lncompen_{it} + \beta_2 EPS_{it} + \beta_3 Rbm_{it} + \beta_4 Size_{it} + \beta_5 TOPL_{it} + \beta_6 Pd_{it} + \beta_7 Power_{it} + Indus + Year + \varepsilon_{it} \quad (7)$$

Formulas（1）-（7）, the variable subscript I represents the company, and t represents the time；β_0 is a constant term，β_1—β_7 is the regression coefficient of the relevant variable,ε_{it} is the perturbation residual term.

4. Empirical Analysis and Results

4.1 Determination of comprehensive indicator values for management power
This article measured management power through organizational structure power (dual role

integration, Dua), ownership power structure (equity balance, Bal), expert power (tenure, Tenure), and prestige power (management shareholding, Mbo). It used principal component analysis to determine power. Descriptive analysis (omitted) found that the average number of shares held by the management of the sample enterprises was 8.58%, with a median of 0.92%. 15825 samples were below the average, accounting for 73.88% of the total samples, indicating that most of the management shares held by the enterprise were relatively small and had low prestige and power. Senior management personnel's average and median tenure is 6.21 years and 5.5 years, respectively. 5360 samples were less than the average, accounting for 43.16% of the total sample. It indicated that most senior management personnel in the sample companies had a tenure of 6.21 years or more and had rich experience in executive positions.

Due to the different dimensions of Dua, Bal, Tenure, and Mbo indicators, it was necessary to perform dimensionless processing first. Through correlation analysis (Table 2), it was found that the sig between Zscore (Dua), Zscore (Mbo), Zscore (Tenure), and Zscore (Bal) was 0.00 (below the 1% level), and factor analysis could be performed.

Table 2 Power Indicator Correlation

	Zscore(Dua)	Zscore(Mbo)	Zscore(Tenure)	Zscore(Bal)
Zscore (Dua)	1			
Zscore (Mbo)	.221***	1		
Zscore (Tenure)	.086***	.081***	1	
Zscore (Bal)	.063***	.120***	.056***	1

***Correlation is significant at the 0.01 level (2-tailed).

Table 3 Interpretation of total variance

composition	Initial eigenvalue			Rotation Sums of Squared Loadings		
	Total	variance percentage(α)	Accumulation (%)	Total	variance percentage(α)	Accumulation (%)
1	1.332	33.293	33.293	1.332	33.293	33.293
2	.950	23.741	57.034			
3	.948	23.708	80.742			
4	.770	19.258	100.000			

Extraction method: principal component analysis.

As depicted in Table 3, due to the similar information proportions within components 1, 2, 3, and 4, a method is employed to preserve indicator value information. This involves utilizing the variance percentage of the initial eigenvalues as a weight, which is then multiplied by the dimensionless values of each indicator. This process aids in determining the comprehensive value of power, preventing the loss of indicator value information.

4.2 Descriptive Statistics

Based on the descriptive statistical results in Table 4, the Power indicator's minimum value was -0.8362, while the maximum value was 2.2677. This variance in senior executives'

power is substantial, with an average of 0.000. This average implies that the results of principal component analysis, using standardized values, align with a normal distribution. The median (-0.134626791) was lower than the average (0.00000), indicating that most enterprise managements wielded relatively less power. Regarding compensation, the minimum value stood at 11904.76, while the maximum value reached 152649900.00, yielding a notable standard deviation of 7339961.3741. This discrepancy signifies a significant imbalance in the distribution of executive compensation, reflecting a pronounced two-tier differentiation phenomenon. The enterprise's average economic value totaled 3.296120, accompanied by a standard deviation of 46.4424254. This suggests that there existed a noticeable Price–Sales Ratio disparity across different enterprises. The average corporate social value equated to 3.499975, alongside a standard deviation of 11.4092429. These figures imply that the differences in the added value of listed companies' societal contributions were relatively inconspicuous. This observation can be attributed to China officially embracing corporate social responsibility in 2015, resulting in limited scope for listed companies to fulfill their social responsibilities.

Table 4 Description Statistics of Main Variables

	Number of samples	Minimum	Maximum	Average	standard deviation
Size	21420	14.9416	31.1552	22.526378	1.3908412
EPS	21420	-16.46	49.93	.3129	.98530
Rbm	21420	.00	1.60	.6424	.27321
Pd	21420	16.67	80.00	37.6704	5.73225
TOPL	21420	.2863	89.9858	33.015053	14.9405738
Power	21420	-.8362	2.2677	.00000	.5848952
CEV	21420	.0186	4484.9086	3.296120	46.4424254
CSV	21420	-.1023	433.9598	3.499975	11.4092429
Lncompen	21420	9.3847	18.8437	15.378916	.7726386
compen	21420	11904.76	152649900.0	6596195.475	7339961.3741
Average of the top three executive compensation	21420				

4.3 Correlation analysis

As shown in Table 5, the absolute value of the Pearson correlation coefficient among the primary variables was less than 0.5. This indicates the absence of a severe multicollinearity issue within the selected variables for this study (Gao, 2021). Furthermore, the Variance Inflation Factor (VIF) in the collinearity statistics for each model was less than 5, signifying the absence of collinearity among the variables. These factors collectively attest to the reasonability of sample selection and model choice. Furthermore, notable positive correlations emerged between Power and CEV, Power and CSV, Power and Lncompen, as well as Lncompen and CEV, all at a 1% significance level. Additionally, a significant

positive correlation at the 5% level was observed between Lncompen and CSV. This substantiates the proposed hypotheses and furnishes empirical evidence that lends intuitive support to the regression of specific models.

Table 5 Pearson correlation test for main variables

	Size	EPS	Rbm	Pd	TOP	Power	CEV	CSV	Lncompen
Size	1								
EPS	$.214^{***}$	1							
Rbm	$.485^{***}$	$-.036^{***}$	1						
Pd	$.023^{***}$	$.018^{***}$	$-.020^{***}$	1					
TOPL	$.258^{***}$	$.118^{***}$	$.157^{***}$	$.032^{***}$	1				
Power	$-.185^{***}$	$-.018^{***}$	$-.136^{***}$	$.016^{**}$	$-.360^{***}$	1			
CEV	$.017^{**}$	$-.008^{**}$	$-.014^{**}$	$-.004^{*}$	$-.002^{*}$	$.018^{***}$	1		
CSV	$.053^{***}$	$.136^{***}$	$.017^{**}$	$.026^{***}$	$.069^{***}$	$.047^{***}$	$.021^{**}$	1	
Lncompen	$.447^{***}$	$.217^{***}$	$.206^{***}$	$-.045^{***}$	$-.012^{*}$	$.036^{***}$	$.023^{**}$	$.008^{*}$	1

***. Correlation is significant at the 0.01 level (2-tailed).

**. Correlation is significant at the 0.05 level (2-tailed).

*. Correlation is significant at the 0.10 level (2-tailed).

4.4 Regression analysis

4.4.1 Regression Analysis of Management Power and Corporate Value

The regression outcomes from Model 1 to Model 7 are presented in Table 5. Model 1 demonstrated a regression coefficient of 1.564 with a significance level (sig) of 0.008 (within 1%), affirming a significant positive correlation between management power and CEV. This confirms the validation of Hypothesis 1. Model 2 showcased a regression coefficient of 0.566 with a sig of 0.029 (within 5%), indicating a notable positive correlation between management power and CEV. Thus, Hypothesis 2 was also supported.

4.4.2 Regression Analysis of Executive Compensation and Corporate Value

Based on Model 3 results, the regression coefficient for Lncompen was 3.363, with a sig of 0.000 (within 1%), signifying a substantial positive relationship between executive compensation and CEV. Hypothesis 3 holds. Combining these findings with Model 4, the regression coefficient for Lncompen stood at 0.544, with a sig of 0.000 (within 1%), establishing a significant positive correlation between executive compensation and CSV. Thus, Hypothesis 4 was validated.

4.4.3 Regression Analysis of Management Power and Executive Compensation

Model 5 indicated a regression coefficient of 0.123, accompanied by a sig of 0.000 (within 1%), underlining a positive impact of management power on executive compensation. This confirms the validation of Hypothesis 5.

4.4.4 Analysis of the Mediating Effect of Executive Compensation on Management Power and Corporate Value

Considering Model 6, the regression coefficient for management power was 1.164, with a sig of 0.048 (within 5%), while the regression coefficient for Lncommen was 3.254, with a sig of 0.000 (within 1%). Referring to Model 7, the regression coefficient for management power reached 0.505, with a sig of 0.000 (within 5%), and the regression coefficient for Lncommen was 0.497, with a sig of 0.000 (within 1%). Following the research approaches of Wen Zhonglin (2004) and Chang Yuan (2022), alongside the foundations set by both Model 1 and Model 5, results from Model 6 and Model 7 suggest that executive compensation serves as a mediator between management power and corporate value. Consequently, Hypotheses 6 and 7 find support.

Table 6 Regression Analysis Results

Variable name	Model1 CEV	Model2 CSV	Model3 CEV	Model4 CSV	Model5 *Lncompen*	Model6 CEV	Model7 CSV
Power	1.564***	0.566***			0.123***	1.164**	0.505***
	(2.673)	(3.981)			(15.782)	(1.980)	(3.532)
Lncompen			3.363***	0.544***		3.254***	0.497***
			(6.690)	(4.383)		(6.341)	(3.981)
EPS	-0.863**	1.510***	-0.658*	1.536***	0.069***	-0.639*	1.544***
	(-2.557)	(18.404)	(-1.943)	(18.626)	(15.302)	(-1.886)	(18.724)
Rbm	-7.147***	0.424*	-8.492***	0.225*	-0.421***	-8.517***	-0.215
	(-4.884)	(2.191)	(-5.746)	(2.017)	(-21.624)	(-5.763)	(-1.550)
Size	1.496***	0.021*	2.789***	0.242***	0.372***	2.705***	-0.205**
	(4.995)	(2.285)	(7.916)	(2.820)	(93.237)	(7.624)	(-2.379)
TOPL	-0.037*	0.031***	-0.045**	0.033***	-0.007***	-0.060**	-0.027***
	(2.575)	(5.386)	(-2.012)	(6.109)	(-22.618)	(-2.526)	(-4.717)
Pd	-0.036*	0.047***	-0.069*	0.041***	-0.008***	-0.065	0.042***
	(-2.674)	(3.457)	(2.039)	(3.010)	(-11.375)	(1.164))	(3.140)
Constant	-22.923***	-0.475*	1.934*	-3.166*	7.807***	2.481*	-3.404*
	(-3.573)	(-2.305)	(2.256)	(-1.723)	(91.477)	(2.328)	(1.851)
Year	YES	YES	YES	YES	YES	YES	YES
Industry	YES	YES	YES	YES	YES	YES	YES
N	21420	21420	21420	21420	21420	21420	21420
R^2	0.502	0.423	0.504	0.623	0.662	0.404	0.424
F	6.777	83.335	12.835	83.909	2023.010	11.563	73.743

***Correlation is significant at the 0.01 level (2-tailed).

** Correlation is significant at the 0.05 level (2-tailed).

*Correlation is significant at the 0.10 level (2-tailed).

Note: t in parentheses

4.5 Robustness testing

To ensure the dependability and consistency of the previously drawn conclusions, this study executed robustness tests. Instead of "the total compensation of senior executives," this investigation employed "the total compensation of the top three executives." Additionally, Tobin Q was used in lieu of Price–Sales Ratio for CEV, and board size (measured as the number of board members per year) replaced Bal to reassemble power. The control variables remained constant. By implementing these changes, the study sought to attain new regression results, as displayed in Table 7. In Table 7, noteworthy correlations emerged, with a significance level (sig) of 0.000, between power and lncompen, power and CEV, lncompen and CEV, as well as lncompen and CSV. Though the significance level for power and CSV slightly diminished, it remained below 10%. These findings affirm the robustness of the study's conclusions.

Table 7 Robustness Test Results

Variable name	Model1 CEV	Model2 CSV	Model3 CEV	Model4 CSV	Model5 *Lncompen*	Model6 CEV	Model7 CSV
Power	0.672***	0.022**			0.037***	0.685***	0.007*
	(4.276)	(2.199)			(3.724)	(4.351)	(2.066)
Lncompen			2.238***	0.181**		0.329**	0.388***
			(5.961)	(2.643)		(2.322)	(3.986)
EPS	0.457**	0.817***	-0.510*	1.486***	0.079***	0.431***	-0.848***
	(4.023)	(10.466)	(-1.820)	(18.057)	(10.990)	(3.776)	(-10.813)
Rbm	-3.459***	0.537*	-9.692***	0.535*	-0.451***	-3.311***	-0.363
	(-8.586)	(1.94)	(-7.927)	(2.491)	(-17.635)	(-8.119)	(-1.274)
Size	-1.159***	-0.100	3.527***	-0.028	0.347***	-1.273***	-0.035**
	(-12.680)	(-1.584)	(12.274)	(-1.336)	(59.792)	(-12.273)	(-2.488)
TOPL	-0.003	0.025***	-0.044**	0.039***	-0.007***	-0.001	-0.022***
	(-1.505)	(-5.803)	(-2.381)	(7.241)	(-16.739)	(-0.165)	(-5.149)
Pd	-0.012	0.013	-0.066	0.046***	0.001	-0.065	-0.014***
	(-1.75)	(1.249)	(-1.438)	(3.394)	(0.679)	(1.164))	(-2.274)
Constant	-29.943***	-2.98**	-33.270***	-2.386*	7.320***	27.537***	-5.818*
	(-15.082)	(-2.184)	(-5.677)	(-2.187)	(58.149)	(12.299)	(3.781)
Year	YES	YES	YES	YES	YES	YES	YES
Industry	YES	YES	YES	YES	YES	YES	YES
N	21420	21420	21420	21420	21420	21420	21420
R^2	0.402	0.413	0.507	0.422	0.477	0.342	0.314
F	88.751	27.271	25.508	81.095	794.487	76.870	25.673

***Correlation is significant at the 0.01 level (2-tailed).

 ** Correlation is significant at the 0.05 level (2-tailed).

*Correlation is significant at the 0.10 level (2-tailed).

Note: t in parentheses

4.6 Results

1) There exists a positive correlation between management power and corporate value, with the impact of management power on corporate economic value being more pronounced than on corporate social value. The influence of management power extends to an enterprise's future development strategy, cash flow, and operating costs, primarily initiating changes in its economic value. Given China's current status in the exploratory phase of tax reduction, publicity, disclosure, and other aspects related to charitable donations, the elevation of social responsibility's value should stem from the societal sphere rather than the corporate level. Hence, the impact of management power on an enterprise's economic value remains relatively moderate.

2) Executive compensation exerts a favorable influence on corporate value, with the coefficient of the impact of executive compensation on corporate economic value exceeding that on corporate social value. An effective salary incentive mechanism can motivate management to make decisions beneficial for the company's growth. When executives are offered efficacious salary incentives, their self-interested behavior diminishes.

3) The reinforcement of management power results in an increase in executive compensation. The self-interest behavior of management prompts the formulation of compensation systems that cater to their advantage.

4) Executive compensation performs a mediating role between management power and corporate value, encompassing a partial mediating aspect. Through their power, management influences executive compensation, prompting them to invest more effort into the enterprise's operation and management to attain higher compensation. Thereby promoting the enhancement of Corporate Value.

5. Discussion and Conclusion

5.1 Discussion

1) In scenarios where executive power lacks effective supervision and balance, an overabundance of executive power can trigger numerous issues in corporate governance, potentially constraining a company's development (Liu, 2013; Yuan et al., 2018). However, within this study, 55% of the samples possessed power below the median threshold. This suggests that the majority of sample companies did not grapple with excessively elevated management power, thereby avoiding the stage where such excessive power might undermine enterprise value. Hence, it is essential to adopt a dialectical perspective regarding the extent of management power and actively harness its constructive impacts.

2) The widening of the salary gap generates an initial rise followed by a subsequent decline in corporate value. The relationship between the salary gap's influence and corporate value assumes an inverted "U" curve pattern (Wang, 2009; Liu, 2012). These research findings diverge from other conclusions due to disparities in sample attributes and variables, including whether executive compensation is tied to performance and if the design is rational (Qi et al., 2018). These factors directly influence the efficacy of compensation

incentives.

5.2 Conclusion

5.2.1 Tenure of Managers, Integration of Positions, and Management Shareholding Proportion's Impact on Executive Compensation

The tenure of management significantly influences executive compensation, demonstrating a positive correlation. As managerial tenure prolongs, cumulative work experience grows, facilitating greater control over the enterprise through position integration and management shareholding. This amplifies organizational power, ownership power, and prestige power, affording them control over the formulation of executive compensation policies.

5.2.2 Mediating Role of Executive Compensation between Management Power and Corporate Value

Management, acting as daily operators and executors of various decisions, employs their power advantage to influence salary system formulation once a certain degree of power is attained. A judicious salary system effectively harnesses incentive mechanisms, motivating executives to invest more work time and effort into the enterprise's development. This dedication, in turn, maximizes their personal and corporate value. Hence, management power heightens corporate value by elevating executive compensation.

5.3 Limitations

1) Management's Power Consideration and its Effect on Enterprise Value: The measurement of management power predominantly assesses managerial and board of director influence, omitting the impact of other managerial stakeholders (such as independent directors and supervisors) on enterprise value.

2) Executive Compensation Measurement and Future Directions: This study employs monetary compensation to gauge executive compensation. Moving forward, it's crucial to adopt suitable methods to quantify non-monetary compensation.

3) Corporate Social Value Measurement and Further Progress: The measurement of corporate social value remains in its nascent stages. Future advancements should align with the extent of corporate social responsibility fulfillment and its stimulating influence on the local economy.

References

Bebchuk, L. J. F. & D. W. (2002). Managerial power and rent extraction in the design of executive compensation, University of Chicago Law Review, (69),751-846.

Bebchukm L. (2005). The case for increasing shareholder power. Harvard Law Review, (118),833-917.

Bebchuk, L. A. & Fried, J. M. (2006). Pay Without Performance: Overview of the Issues. Academy of Management Perspectives, 20(1),5-24.

Bu Y. (2018). Executive Compensation Gap, Corporate Governance, and Performance of High-tech Listed Companies: An Empirical Test Based on Championship Theory Journal of Suzhou

University (01), 19-25

Cao, Y. & Zhang Y. (2019). Key executive compensation gap, market competition, and strategic differences - based on the perspective of tournament theory Financial Theory and Practice (02), 91-98 Doi: 10.16339/j.cnki.hdxbcjb.2019.02.013

Cao, W. (2021). Research on the impact of venture capital on the value of NEEQ enterprises and its spillover effect (doctoral dissertation, Sichuan University) http://kns.cnki.k.yyttgd.top/KCMS/detail/detail.aspx?dbname=CDFDLAST2021&filename=1021840887.nh

Chen, X, Li W & Zhai Y. (2022). Characteristics and development direction of China's stock market in the new era. China's Collective Economy (16), 97-99.

Chen, S., Yu B. & Li X. (2020). A Study on the Relationship between Salary Gap and Turnover Rate of State-Owned Enterprise Executives Based on the Regulating Effect of Political Promotion Expectations Journal of Central University of Finance and Economics (04), 98-108+128 Doi: 10.19681/j.cnki.jcufe.2020.04.008.

Chen, Y. (2016). Research on Gender Differences in Executive Compensation of Listed Companies in China China Yanshi Publishing House

Du, S. & Wang Z. (2021) Corporate social responsibility disclosure, investment efficiency and enterprise innovation. Journal of Guizhou University of Finance and Economics, (01), 52-62.

Fahlenbrach, R. (2009). Founder-CEOs, investment decisions, and stock market performance. Journal of Financial and Quantitative Analysis, (4), 121-134.

Fang, X. &Yang S. (2021). Research on the Impact of Central Enterprise Performance Assessment Based on EVA on Non efficiency Investment Journal of Dalian University of Technology (Social Science Edition) (05), 64-72 Doi: 10.19525/j.issn1008-407x. 2021.05.008

Finkelstein, S. (1992). Power in Top Management Teams: Dimensions, Measurement and Validation. Academy of Management Journal, 35(3),505-538.

Gao, T., Huang Y. & Sun S. (2021). Corporate Social Innovation: Conceptual Analysis, Evolutionary Rules, and Analytical Framework Business Economics Research (21), 114-118

Gao, T., Tao Q., Zhou P. & Sun S. (2021). Enterprise social innovation and enterprise value: the Mesomeric effect of knowledge output Research on Science and Technology Management (15), 11-19

Guo, S. (2017). Research on Industry Monopoly, Management Power and Executive Compensation System. Intellectual Property Press.

Guo, Y., Wang Z., Zhang Y. & Song L. (2020). "Salary Restriction Order", Management Power and Corporate Performance: An Analysis Based on Quasi-Natural Experiments. Journal of Management (05), 63-72.

Guo, H., Li W. & Gao W. (2020). Political governance, management power, and excessive investment in state-owned enterprises Journal of Management Engineering (02), 71-83. doi: 10.13587/j.cnki.jieem.2020.02.008

Huang, J. & Jin Y. (2016). Research on the Impact of Corporate Social Responsibility on the Cost of Equity Capital: Based on the Perspective of Corporate Social Responsibility Reporting and Assurance Industrial Economy Research (2): 87-95

Li, Y., Sun H. & Zhang Y. (2008). Executive Compensation Incentives, Strategic Mergers and Acquisitions, and Corporate Performance: An Empirical Study from Chinese A-share Listed Companies Management World (12), 177-179. doi: 10.19744/j.cnki.11-1235/f.2008.12.024.

Liu, F., Du J. & Chao B. (2020). Can stock short selling pressure restrain executives' on-the-job consumption? ——Based on natural experimental evidence from China's margin financing and securities lending. Management Review (01), 40-55.

Liu, H. (2012). Research on executive compensation gap and corporate value (doctoral dissertation, Suzhou University).

Liu, N. (2013). Management's power, liabilities and enterprise value Journal of Guangxi University of Finance and Economics (01), 103-108.

Liu, J., Li J. & Sun J. (2022). Equity Incentive, Investor Sentiment and MD&A Tone Management. Journal of Finance and Economics (06), 72-81.

Li, Y., Sun H., & Zhang Y. (2008). Executive compensation incentives, strategic mergers and acquisitions, and corporate performance Managing the World (12): 177-179

Li, W, Sadick, M. A. & Musah, A. A. (2018). The modeling effect of social innovation in perspectives of shared value creation in the educational sector of ghana. Sustainability (10): 1-26

Mao, L., Wang Z. &Wang L. (2012). Institutional investors' shareholding preferences, screening strategies, and corporate social performance Management science (3): 21-33

Miller, M. H. & Modigliani, F. (1961). Divided policy, growth, and the evaluation of shares. Journal of Business, 34 (4): 411-433

Pan, M. (2011). The Relationship between Social Contribution Value per Share and Company Value: An Empirical Study Based on Shanghai A-share Companies Securities Market Introduction (6): 29-33.

Qi,Y. & Zhang, R. (2018). An Empirical Study on the Impact of Financial Assets Allocation on Enterprise Value. Finance and Trade Economics (05), 38-52.

Ren, Y. L. (2018). Management power, financial leverage and enterprise value - Empirical evidence from Chinese listed companies (master's Thesis, Shanxi University of Finance and Economics) http://kns.cnki.k.yyttgd.top/KCMS/detail/detail.aspx?dbname=CMFD201901&filename=1018125840.nh

R. M. C, S.H. Kang & P. Kumar.(2002).Corporate governance takeovers and top-management compensation: theory and evidence. Management Science (4):453-469.

Shao, J. & Li Wei. (2017). Executive compensation gap, strategic change and corporate performance: The moderating role of management power. Business Research, (11),88-96.

Shi, W. & Cheng J. (2022). The power of appointment system executives, internal and external salary gap, and long-term value of enterprises. Financial and Accounting Communication, 899 (15): 54-58.

Tan, Q. & Wei D. (2014). Management Power and Enterprise Value: From the Perspective of Product Market Competition. Management Science (03), 1-13.

Tang, S. & Sun Zheng. (2014). Political connections, executive compensation, and future business performance of enterprises Managing the World (5): 93-105

Tang, Y., Zhou J., and Yang A. (2008). Research on the Effectiveness of Salary Incentive and Equity Incentive in Listed Companies. Statistics and Decision Making (20): 138

Wang, Z. & Mai S. (2019). Corporate Social Responsibility, Innovation Ability, and Internationalization Strategy - The moderating effect of executive compensation incentives Management Review (03), 193-202. doi: 10.14120/j.cnki.cn11-5057/f.2019.03.017.

Wang, C. (2019). Research on Management Power, Executive Compensation and Corporate

Performance——Based on the Perspective of Market Competition[M]. China Finance and Economic Press.

Wang, H. & Shi, X. (2009). Empirical analysis of the impact of executive employee compensation gap on corporate performance Economic and Management Research (08), 23-27

Wu, Y. & Wu, S. (2010). Executive compensation: Incentive or self-interest? ——Evidence from Chinese listed companies. Accounting Research (11), 40-48+96-97.

Xiao, Y. & Duan, K. (2020). Executive equity incentives, EVA assessment, and fee stickiness Research on Financial Issues (08), 65-73. doi: 10.19654/j.cnki.cjwtyj.2020.08.008

Xiao, Z. & Liao, L. (2007). Major shareholders, creditor protection, and selection of corporate debt maturity structure. Management World (10): 99-113

Xie, J. & Fang, Y. (2014). The effect of executive equity incentive gap on corporate value: Championship theory or behavior theory. Journal of Shanghai Business School (01), 64-73.

Xu, Y., Yang, X., and Liu, J. (2022). Information density, social trust, and enterprise value creation Chinese Soft Science (01), 98-110.

Ye, B. & Yuan, J. (2008). Managerial Confidence, Enterprise Investment and Enterprise Value: Based on Empirical Evidence of Listed Companies in my country. China Soft Science (02), 97-108.

Yuan, J., Wang, J. & Zhu, X. (2018). Executive Power, Internal Control, Executive Compensation and Corporate Performance: A Moderating Model with Mediation. Journal of Qilu University of Technology (05), 73-80.

Zhang, H. (2021). Financial Asset Allocation, Management Powers, and Auditor Selection Economic longitude and latitude (05), 121-130. doi: 10.15931/j.cnki.1006-1096.2021.05.004

Zhou, Y., Li, M., Meng, X., & Zhang, L. (2021). Management Power, Merger and Acquisition Efficiency, and Risk of Stock Price Collapse Financial Science (06), 26-39