

Research on the Correlation Between Executive Compensation and Business Performance in Electric Power Listed Companies

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Abstract: With the rapid development of China's socialist market economy, the power industry has become a pillar industry for the development of the national economy. The reform of the electricity market system is also steadily advancing, and the competition among power companies is becoming more and more fierce. The effective improvement of the performance of power companies faces challenges. As an important part of the enterprise's human resources, executives play an extremely important role in the growth and steady development of the company; executive compensation can play a role in the strength of the company's senior management team and may affect the performance of the company. This paper analyzes and empirically studies the executive compensation incentives of listed companies in the power industry in 2017 and corporate performance. From the empirical analysis, it can be concluded that in the power industry, there is a significant positive correlation between firm size and executive compensation, and the correlation between corporate performance and executive compensation is not significant. Establish executive compensation and companies in listed companies in the power industry. The benefit-linked compensation management mechanism still has a long way to go. The conclusion of this study is of great significance and value for the salary management and enterprise performance improvement of power companies.

Keywords: Listed Power Companies, Executive Pay, Business Performance

1. Introduction

1.1. Topic Background

Human resources, as an invisible wealth that enterprises do not display on financial statements, are a magic weapon for enterprises to succeed. Precisely, remuneration is not a cost, but an investment. Indeed, the essence of payment is a fair transaction or exchange relationship. From the standpoint of modern human resources, wage is the most basic and attractive investment method for human capital. The salary management objectives are based on the human resources strategy, while the human resources strategy is subordinated to the corporate development strategy. Nowadays, no one could avoid the tremendous influence of professional managers' have brought, more or less, in the competitive industry, companies should establish a market-oriented compensation management mechanism.

As the basic industry of the national economy, the power industry is the basis and guarantee for the sustained and healthy development of the national economy and the improvement of people's living standards. In the face of the adjustments in national policies and changes in the industry environment, the power industry is constantly undergoing institutional reforms. In 2015, the CPC Central Committee and the State Council jointly issued the "Several Opinions on Further Deepening the Reform of the Power System" (referred to as "No. 9 Document"), marking the market-oriented reform finally set sail again since the 2002 Power System Reform Plan (No. 5) had announced, a new round of electricity reform will be opened, which is equivalent to orderly release of competitive electricity prices other than transmission and distribution, orderly release of distribution business and sales of electricity to social capital, orderly release power generation plans in addition to public welfare and supervision. The user-side distributed power supply

market is fully liberalized, which is very powerful.

In the new "13th Five-Year Plan" period, under the premise of strong implementation of electric power reform, the competition in power generation, electricity sales and power distribution industry will be fierce as never before. The core competitiveness of power companies will not only be the size of assets. In the face of an increasingly fierce external market environment, the development of power companies will mainly rely on their own efficient management system, while senior managers are the focal point of the entire management system. The salary level is a significant factor affecting the management of senior management. Consequently, the importance of the management of the management of the management has attracted the attention of more and more power companies and research scholars.

At the same time, however, the executive compensation level of listed companies has been criticized in recent years. Many companies, have been holding high salaries, regardless of profit or loss. In 2017, Zhong Chongwu, chairman of Fangda Special Steel, ranked first among listed company executives with a pre-tax salary of 40.37 million yuan; Zhang Bo, the chairman of China Oceanwide Holdings, had an annual salary of 17.71 million yuan before tax; the chairman of WuXi Pharma Tech, Li Ge, had an annual salary of 17.11 million yuan before tax. In 2017, the annual salary of all the listed companies of A-shares totaled 1.073 billion yuan. The formulation of executive compensation for foreign companies is formulated by the board of directors or the remuneration committee, and usually involves a third-party consulting agency to assist in the completion. At present, most of the executive compensation of domestic enterprises is formulated by the company management or human resources department, and there are certain conflicts of interest. At the same time, the company's executive compensation is not effectively matched with the company's performance. The executive compensation is mainly determined by the market's same industry salary level. It is weakly related to the company's development stage and scale, and lacks an effective mechanism to link with the company's performance. The state is also aware of this problem. The State-owned Assets Supervision and Administration Commission have issued several articles, demanding that central enterprises pay compensation and performance, and push reform forward. On June 2, 2015, the State-owned Assets Supervision and Administration Commission issued the 'Notice on Further Improving the Relevant Issues Concerning the Increase in Income and Savings of Central Enterprises', which stipulates that: strict implementation of the total wage and benefit linkage mechanism, the increase in total wages of enterprises shall not exceed the increase in benefits, the total wages of enterprises with reduced benefits must decline. Due to the strong monopoly of power companies, their high welfare and high wages are also fait accompli. Therefore, in this round of salary cuts, power companies have received unprecedented attention. All in all, the executive compensation in the power

industry has received wide attention from everyone, and many issues involved are worthy of further investigation.

1.2. Research Purposes and Significance

Based on the existing researches of experts and scholars on listed companies in the power industry, combined with the knowledge and theory of salary management, and the understanding of the status quo of executive compensation incentives of listed companies in China's power industry, the high listed companies in the power industry correlation analysis and empirical research on management incentives and corporate performance have the following significance and value.

According to Pareto's 28th rule, 80% of the resources are spent on 20% of the key benefits, and the 20% can drive the remaining 80%. In the complicated power companies, on the one hand, due to redundant problems, the burden of enterprises is getting more and heavier, and labor costs are rising. On the other hand, the massive loss of core employees has seriously weakened the core competitiveness of enterprises, making enterprises in a passive situation in the increasingly fierce market competition. Executives are exactly what these 20% need to be worthy of our attention. A scientific and effective incentive mechanism can give full play to the management potential of executives, create more value for the company, and produce greater performance. Salary incentives are the most commonly used incentives. Distinct compensation designs can lead to different incentive effects, and compensation will ultimately be reflected in corporate performance. Therefore, exploring the intrinsic link between executive compensation and corporate performance has become a topic worth studying. Various scholars at home and abroad have studied the relationship between executive compensation and corporate performance, but most of them focus on common issues, such as executive compensation, corporate dividends and corporate performance research, but not specific. An industry ignores the operating characteristics of different industries, and it is somewhat far-fetched for the guidance of specific industries. Under the unique socialist market economy conditions in China, power companies have their own unique characteristics. Therefore, the relationship between executive compensation and corporate performance in the general industry cannot be directly applied to the power industry.

The key to executive compensation is whether their compensation is closely related to corporate performance and how to pay compensation. It is not whether executive compensation is high. An empirical study of the relationship between executive compensation and firm performance can more partially reveal the interrelationship between the two and the factors affecting executive compensation. Therefore, the research in this paper provides an important theoretical basis for power companies to make executive compensation decisions reasonably and effectively, further promote the reform of the salary system of listed companies in the power industry, and effectively improve corporate performance, which helps to improve the incentive effect of executive

compensation. Promote the improvement of business efficiency and enhance the core competitiveness of power companies.

1.3. Literature Review

Incentive is an important means for managers to organize, lead and control. Incentives do not exist alone, but exist in all aspects of enterprise management and operation. The first scholars to study the correlation between pay and performance were Taussig and Baker (1925) [1]. Their research findings indicate a weak correlation between executive compensation and firm performance. Their surprising conclusions have led to more scholars participating in the study of the correlation between executive compensation and corporate performance. As far as the current situation is concerned, the research on the performance appraisal theory and practice of China's power enterprise executives still stays at a relatively low level and lacks practical performance evaluation indicators to support it. In general, the academic world presents two different perspectives. For one thing, executive compensation is positively correlated with firm performance. For another, there is little or no correlation between executive compensation and firm performance.

In the 1990 Jensen and Murphy research literature, they calculated the salary performance sensitivities of 1,295 senior managers from 1974 to 1986, and concluded that the shareholder wealth per 1,000 changes [2]. In the US dollar, the wealth of senior managers will change by \$3.25 in the same direction. In short, this correlation is extreme weak. Belliveau et al. (1996) found a correlation coefficient between ROE and CEO compensation of 0.410. (Different sample selections, different control variables, and economic development cycles may all contribute to differences in research results.) [3] Takao Kato and Katsoyuki Kubo (2006) conducted 51 companies with 10 years of complete data provided by Japanese compensation consulting firms. The research found that there is a significant positive correlation between CEO compensation and ROA, but a weak correlation with stock returns [4]. Du Xingqiang, Wang Lihua (2007), 379 listed companies from 1999 to 2003 The data is a research sample, and the return on assets and the rate of return on net assets are performance indicators [5]. Empirical research shows that the executive compensation of listed companies in China is positively related to shareholder wealth [6]. In 2009, Professor Gao Minghua, deputy dean of the School of Economics and Business Administration of Beijing Normal University, pointed out in his book "China's Listed Companies' Executive Compensation Index" that there is no significant difference between the executive compensation level of Chinese listed companies and company performance [7]. Relationships, executive compensation of monopolistic enterprises have excessive incentives. Wu Yuhui (2010) collected the salary levels of the top three executives of Chinese listed companies from 2004 to 2008, and examined the relationship between executive compensation and company performance, executive control,

government regulation and agency costs, and found that compared with state-owned companies, executives of non-state-owned companies are more likely to use their control to improve their own remuneration levels [8]. In 2018, Xu Yude used the data of listed companies in 2005-2014 as a sample to examine the relationship between political motives and executive over-remuneration and its impact on the efficiency of pay regulation [9]. It was found that the performance sensitivity of state-owned enterprise executive compensation was low, and it is easy to get more excess salary due to political motivation. Schroth, J(2015) studies the role of optimal managerial compensation in reducing uncertainty about manager reporting objectives. It is shown that, paradoxically, firm owners allow managers with higher propensity to manipulate the short-term stock price to push for higher powered and more short-term-focused equity incentives [10].

In China, power supply belongs to the category of public service, representing the image of the state and the government. The social benefits of the power industry are far greater than their own benefits. The safety and reliability of power production and supply are irreplaceable for the normal operation of the whole society effect. Therefore, the power company is not only a company but also a social subject to some extent. While senior executives of power companies are leading enterprises to manage supply and use of electricity, they should also actively improve public relations, improve service quality, and perform some social functions. [11] Hence, unlike the general enterprises, the performance of power companies needs to examine non-financial indicators such as public welfare, safety and reliability, and pay too much attention to short-term financial indicators, so senior executives of power companies cannot stand at sufficient height to examine the final service objectives and business objectives of power companies [12]. The actual situation shows that with the increasing complexity and uncertainty of its operation, it is often one-sided to use a single indicator to evaluate the top managers of listed companies in power companies and evaluate the status of enterprises [13]. Examining executives with short-term financial indicators will allow executives to focus only on the short-term profitability of the corporation. Such evaluation indicators often deviate from the direction of corporate strategy and conflict with the long-term interests of the firm [14]. There is still a lack of research on executive incentives and corporate performance of listed companies in the power industry, which needs for in-depth research [15].

2. Method

2.1. Research Hypothesis

2.1.1. Executive Compensation and Power Enterprise Performance

According to the principal-agent theory, both of the principal and the agent are pursuing the maximization of their own interests, howbeit, due to the distinction of the

interests of both parties and the phenomenon of information asymmetry in the market, in this case, the agent may act to harm the interests of the principal for his own benefit. For the benefit of the behavior that harms the interests of the principal, issues such as "moral hazard" and "reverse selection" will follow, thus, this has led to agency costs. In order to balance this principal-agent relationship and reduce agency costs, the owner needs to sign a compensation contract with the operator. The compensation contract stipulates that executive compensation is linked to corporate performance, and executive compensation is determined by corporate performance, thereby effectively links executive compensation to corporate performance. In this case, in order to improve their own remuneration, executives will inevitably do their utmost to run the management company. Executive compensation depends to a certain extent on the company's operating performance. When the performance is good, the executives get higher salary, and at the same time, the executives will work harder to improve the company's operating performance in order to get higher salary. Based on this, this paper proposes the first hypothesis:

Hypothesis 1: The level of corporate executive compensation is positively related to the company's operating performance.

2.1.2. The Level of Executive Compensation and the Size of Power Companies

According to management theory, the size of the company has a greater impact on executive compensation. Compared with smaller companies, the larger the company, the smaller the division of labor, the more people, the more complex the organizational structure, and the more management problems, which makes the operators face greater operational risks and pressures. The ability and quality of executives put forward higher requirements. In this case, in order to manage the company well, the executives must pay more energy and time, and there are few operators who can do this. Therefore, it is also acceptable for the executives to get more compensation, moreover, the larger the company, the more resources the executives control, and the difference in pay at each level gives the executives of big companies the opportunity to legalize their high salaries. So this paper presents the second hypothesis:

Hypothesis 2: Corporate executive compensation levels are positively correlated with firm size.

2.2. Sample Selection and Data Source

We selected the listed companies in the power industry listed on the Shenzhen and Shanghai Stock Exchanges as research samples. In order to ensure the representativeness and universality of the sample data, companies with ST, *ST and incomplete data are excluded, and the sample number is 65. The financial data of listed companies in the power industry used by the empirical research institutes are all from the Resset database. The original data was filtered and sorted using EXCEL software. Descriptive statistical analysis, correlation analysis and multiple regression analysis were

performed using SPSS19.0 software.

2.3. Defining Research Variables

Based on the above assumptions, in order to achieve the analysis of the evidence, the following indicators are selected for analysis.

2.3.1. Business Performance

There are two main types of indicators used by domestic and foreign scholars to measure corporate performance: market value indicators and accounting profit indicators. Market value indicators include Tobin's Q value, economic value added (EVA), and revised economic value added (REVA). The Tobin Q value is proposed by the economist Tobin, which is equal to the ratio of the company's market value to the replacement value of the company's assets. Since the foreign stock market started earlier and the development is more mature, the value of the enterprise can be reflected by the stock price. Therefore, foreign scholars often use the Tobin Q value when measuring corporate performance. However, due to the late start of China's stock market, the capital market is still not perfect, and the power industry is less market-oriented. Therefore, the stock price of listed companies in the power industry may not truly reflect the value of stocks, and between stock prices and corporate performance. Correlation is not necessarily significant, and it is difficult to accurately calculate the replacement value of a power company's assets. Therefore, the research in this paper cannot use the Tobin Q value to measure firm performance.

Accounting profit indicators mainly include: main business income, total assets, net assets, net profit, return on net assets, return on total assets, earnings per share, etc. The accounting profit indicator is simple and easy to operate, and can better reflect the management status of listed companies. Although the accounting profit indicators also have the defects of being easily manipulated, the Chinese government has successively introduced relevant measures to severely punish those listed companies and accounting affairs departments that have compiled and provided false financial information, so that the market environment can be purified. Under the multiple considerations of various aspects, this paper believes that the financial data provided by listed companies will gradually approach the real situation. Therefore, this paper uses the return on equity as an indicator of corporate performance. The return on net assets, also known as the equity net interest rate, is the ratio of net profit to shareholder equity. The formula is: $ROE = \text{net profit} / \text{average net assets}$. In the past research, it was an index chosen by many scholars as a measure of corporate performance. It is the core ratio of the traditional DuPont analysis system. It effectively links the balance sheet and the income statement, and comprehensively reflects the profitability, operational capability and solvency of the enterprise. It has strong comprehensiveness and representativeness. The research on the correlation between executive compensation and corporate performance is essentially a study of the correlation between executives'

interests and shareholder wealth. The net profit is generated by executives using enterprise resources for business management, which is the direct result of executive management. In fact, shareholders' equity is the most direct manifestation of shareholder wealth. Therefore, the management results of executives and shareholder wealth are linked through the indicator of return on equity. Return on equity (ROE) as a comprehensive financial indicator can measure the efficiency of power generation companies using their own capital. The higher the index value, the stronger the ability of self-owned capital to obtain net income, and the better the business performance, the formula is:

$$\text{ROE} = \frac{\text{after-tax profit}}{\text{average net assets}} \quad (1)$$

2.3.2. Executive Compensation

From the current situation in China, cash compensation occupies a very vital position in the executive compensation system. Therefore, we do not consider the shareholding of executives, but only the annual cash compensation of senior executives as a salary variable. The number of remunerations is limited to the executive monetary annual remuneration disclosed in the annual report of the listed company, including wages, bonuses, allowances and other income. Generally speaking, executive compensation corresponds to the position. The higher the position, the greater the decision-making power, the more significant the impact on the company's performance, and the higher the compensation. Therefore, this paper considers the correlation between the salary of the top three executives and the company's performance, and in view of the availability of data in the Ruisi database, this paper selects the power in measuring executive compensation. The average salary of the top three executives disclosed in the annual report of the listed companies in the industry is used to measure executive compensation. The per capita annual cash remuneration of the top three executives with the highest amount published by the listed company's annual report is selected as an indicator to measure executive compensation.

2.3.3. Company Size

When foreign scholars conduct research, most of them use the market value of listed companies to measure the size of the company. However, this practice is not feasible in China, mainly because of the particularity of China's capital market, the effectiveness of the securities market is weak, and the stock price fluctuates greatly. The value of the secondary market cannot fully reflect the size of the company. Therefore, when measuring the size of the company, domestic scholars did not select the market value indicator,

but basically used the total assets as the proxy indicator of the company size. Therefore, this paper also selects the total assets at the end of the year to measure the size of the company.

2.3.4. Control Variable

(i) Business age

The age of the company represents the length of the company's time to market, reflecting the level of development of the company. Companies with different time to market may have different levels of development. The growth stage and development cycle are quite different. The longer the company is listed, the more development may be. Therefore, it can also have a certain impact on company performance.

(ii) Asset-liability ratio

The asset-liability ratio is a comprehensive indicator for evaluating the company's solvency. It represents the size of the company's financial risks. The higher the general asset-liability ratio, the greater the financial risk. The asset-liability ratio indicates that the company's debt assets account for the proportion of total assets. To a certain extent, it can reflect the company's ability to raise and use debt funds. The size of the asset-liability ratio will affect the company's performance.

(iii) Equity concentration

Equity concentration is an indicator of the state of the company's equity distribution. Whether the equity is concentrated or dispersed reflects the stability of the company. The higher the concentration of equity, the greater the power of shareholders, the stronger control of the company, the effective supervision of senior executives, and the reduction of information asymmetry. Therefore, the size of equity concentration has a significant impact on company performance. The concentration of ownership is usually expressed in terms of the shareholding ratio of the largest shareholder.

In summary, the research in this paper involves three indicators. The specific variable symbols and their meanings are shown in Table 1. The processing and analysis of the indicator data are done with Excel and SPSS19.0.

This paper selects the listed companies in the power industry listed on the Shenzhen and Shanghai Stock Exchanges as research samples. In order to ensure the representativeness and universality of the sample data, the ST and the incomplete data are excluded. The final sample number is 65. The financial data of listed companies in the power industry used by the empirical research institutes are all from the Resset database.

Table 1. Variable design list.

Variable type	Variable content	Variable symbol	Variable interpretation	
Explained variable	Executive compensation	Executive pay logarithm	Salary	The logarithm of the top three averages of executive compensation
explanatory variables	Business Performance	Rate of Return on Common Stockholders' Equity	ROE	Weighted average return on equity
	enterprise scale	Total asset logarithm	Asset	The logarithm of the net assets of the enterprise at the end of the year

Variable type	Variable content	Variable symbol	Variable interpretation	
independent variable	Business age	time to market	AGE	Year of listing of the company - report period year +1
	capital structure	asset-liability ratio	DEBT	Asset-liability ratio value disclosed by the company at the end of the year
	Equity concentration	The shareholding ratio of the largest shareholder	RSC	The proportion of the largest shareholder disclosed by the company at the end of the year

2.4. Model Construction

In summary, the research in this paper involves six indicators, with enterprise performance as the explanatory variable, executive compensation and company size as explanatory variables, and enterprise age, capital structure

and equity concentration as control variables, and the following diversification Regression analysis model.

The relationship model (1) between power generation enterprise performance, executive compensation and enterprise scale is:

$$\text{SALARY} = \alpha + \beta_1 \text{ROE} + \beta_2 \text{ASSET} + \beta_3 \text{AGE} + \beta_4 \text{DEBT} + \beta_5 \text{RSC} + \varepsilon \quad (2)$$

Where α is the model intercept term, β is the regression coefficient of the model, and ε is the random error term.

salary level of the top ten executives of the top ten executives in the power industry listed companies is very high, exceeding 2.27 million yuan. However, the gap among the top ten companies is also very large. The average salary of the top ranked Guangdong Meiyang Jixiang Hydropower Co., Ltd. is almost twice that of Zhejiang Zheneng Power Co., Ltd., which ranks tenth. However, the second to tenth place showed a more regular downward trend.

3. Result

3.1. Descriptive Statistical Analysis

First, for the 2017 sample, this paper has carried out further analysis. It can be seen from Table 2 that the average

Table 2. 2017 top ten executives in the power industry listed companies.

unit: yuan

Ranking	company name	The top three executives' total compensation	Average salary of the top three executives
1	Guangdong Meiyang Jixiang Hydropower Co., Ltd.	4148200.00	1382733.33
2	Yuandongzhihui Energy Co., Ltd.	3624600.00	1208200
3	Shenzhen Energy Group Co., Ltd.	2923600.00	974533.33
4	National Power Investment Group Oriental New Energy Co., Ltd.	2910600.00	970200
5	Guangdong Baolihua New Energy Co., Ltd.	2910000.00	970000
6	Guodian Power Development Co., Ltd.	2687000.00	895666.67
7	Huaneng Minjiang Hydropower Co., Ltd.	2356500.00	785500
8	Shanghai Electric Power Co.	2318000.00	772666.67
9	China Yangtze Power Co., Ltd.	2278700.00	759566.67
10	Zhejiang Zheneng Power Co., Ltd.	2277400.00	759133.33
	average value	2843460.00	947820.00

Table 3. The average of the top three executive compensation in 2017 is the lowest listed in the power industry.

unit: yuan

company name	Average salary of the top three executives	Ratio to the highest average executive compensation in the industry
Lianmei Quantum Co., Ltd.	93300.00	6.75%
Wuhan Xianglong Electric Co., Ltd.	154666.67	12.8%
Shandong Luyitong Intelligent Electric Co., Ltd.	190100.00	19.51%
Dalian Thermal Power Co., Ltd.	198666.67	20.48%
Fujian Jidong Electric Power Co., Ltd.	201533.33	20.78%

From Table 3, we can see that the average salary of the top three executives in the power industry is only RMB 93,300, which is only the average salary of its executives compared with the highest-ranking Guangdong Meiyang Jixiang Hydropower Co., Ltd. 6.75%. The analysis of the above two tables shows that in the power industry, the top three executives with the highest salary level have wide pay gaps.

This paper descriptive statistics of the sample indicators of the selected 65 listed companies in the power industry for

2017. As shown in Table 4, it can be seen from the sample statistics that the average salary of the top three executives in the listed companies in the power industry in 2017 was about 1,672,300 yuan; the average return on net assets of all listed companies was 7.36%. The standard deviation of the top three executives' compensation average is greater than the standard deviation of ROE, indicating that the average salary of the top three executives fluctuated significantly. The standard deviation of the total assets index is 6.7073,

indicating that the total assets of the company are not very volatile. In addition, from the control variable indicators, the average age of enterprises is about 18 years, the standard

deviation is small, the enterprise age gap is small, and the capital structure and equity concentration indicators are not equally volatile.

Table 4. Descriptive statistics.

	N	Minimum	maximum	mean	Standard deviation
Salary	65	279900	4148200	1672292.29	715785.6588
ROE	65	-47.82	19.96	2.8994	12.31
Asset	65	1.4121	2.9940	4.1004	6.7073
Age	65	1	25	18.01	5.78
Debt	65	3.2878	89.2699	56.5610	18.0953
RSC	65	5.00	69.94	38.55	17.0680
Effective N	65	-	-	-	-

3.2. Correlation Analysis

Because the top three executives' average salary, ROE and total assets have different units and different degrees of variation, in order to eliminate this effect, this paper has standardized it. On this basis, the processed three variable values are entered into the SPSS 19.0 software. First, the Pearson analysis between the two variables for the three variables of executive compensation, ROE and total assets is shown in Table 5 below.

It can be seen from the table that the Pearson correlation coefficient between executive compensation and corporate return on equity is 0.155. Although there is a positive correlation, the significance level is 0.217, indicating that the correlation is not statistically significant. Significant. The executive compensation of listed companies in the power industry may not be related to changes in corporate performance. The executive compensation incentives of listed companies in the power industry may not have a significant incentive effect on the company's performance. The Pearson correlation coefficient of the top three executives' compensation and total assets is 0.184, and is significantly correlated at the significance level of 0.05, that is, there may be a significant positive correlation between executive compensation and company size.

Table 5. Correlation between executive compensation and ROE.

Variable name / calculation result	ROE	Salary
Pearson correlation	1	.155
ROE Significant(bilateral)	-	.217
N	65	65
Pearson correlation	.155	1
Salary Significant(bilateral)	.217	-
N	65	65

Table 6. Correlation between executive compensation and company size.

Variable name / calculation result	Asset	Salary
Pearson correlation	1	.184*
Asset Significant(bilateral)	-	.016
N	65	510
Pearson correlation	.184*	1
Salary Significant(bilateral)	.016	-
N	65	510

*. Significantly correlated at 0.05 level (both sides)

As can be seen from Table 6, the Pearson correlation

coefficient of the top three executives' compensation and total assets is 0.184, and is significantly correlated at the significance level of 0.05, that is, there is a significant positive correlation between executive compensation and company size. It shows that the larger the listed companies in the power industry, the higher the executive compensation, the research hypothesis 2 proved to be established.

4. Discussion

Based on the Pearson correlation analysis, the paper further performs regression analysis and performs regression analysis on model 1 based on the previous assumptions. The results are shown in the following table 7.

Table 7. Significance test.

model	R	R2	Adjustment R2	Standard estimated error
	.273a	.074	-.007	11.52207

a. Predictors: (constant), total assets, debt ratio, age, equity concentration, executive compensation

Table 7 is a goodness-of-fit test for the model. It can be seen from the table that the coefficient of determination R2 of the multiple regression model is 0.074, and the adjusted coefficient R2 is 0.007. Generally, R2 is greater than 0.6, indicating that the fit is good. It can be seen that the degree of fitting of the regression model is not high, and the independent variable does not explain the dependent variable well. The number of variables and the size of the sample size all affect the results of the goodness-of-fit test. This paper mainly studies the impact of executive compensation on company performance. The indicators used are basically internal financial indicators, but company performance is not only affected by financial indicators, but also macro factors and other indicators of company operations, such as national economic development. Factors such as price and company executive education, so combined with the goodness of fit for the evaluation of the analysis results, this paper will further test the validity of the model through F test.

It can be seen from Table 8 below that the F test value of the regression model is 51.915, the F value is higher, the corresponding Sig. is 0.000, the significance level is higher, and the regression effect is better.

Table 8. Goodness of Fit.

Model		Sum of square	df	mean-square value	F	Sig.
1	regression	607.264	5	121.453	51.915	0.000 ^a
	residual analysis	7567.212	57	132.758		
	Total	8174.476	62			

a. Predictors: (constant), total assets, debt-to-asset ratio, age, equity concentration, executive compensation.

b. Dependent variable: Return on equity

Table 9. Model regression result.

Model (1)	coefficient ^a		Standardization coefficient		
	Non-standardized coefficient	Standard error	VIF	t	Significant
(constant)	16.7120	8.344		2.003	0.05
ROE	0.0000	0	-0.123	-0.919	0.362
RSC	-0.0930	0.087	-0.138	-1.061	0.293
AGE	-0.3210	0.263	-0.161	-1.218	0.228
DEBT	-0.0280	0.082	-0.044	-0.337	0.737
ASSET	0.0000	0	0.059	0.448	0.0065

a. Dependent variable: Return on equity

From the regression results of the model, as shown in Table 9, although the coefficient of executive compensation (SALARY) is positive, it does not pass the significance test, indicating that there is no significant positive correlation between executive compensation and corporate performance. The executive compensation incentives are less sensitive to listed companies in power companies. Hypothesis 1 is not established. This may be due to the diversification of incentive targets pursued by senior executives of power companies, political intentions, promotion of positions and co-existence of economic interests, and corporate development. More dependent on resources and regulations

The inertia effect of the model, the subjective dynamic factors of the executive itself is difficult to play a role in the performance of the entire enterprise, and thus the relationship is relatively weak. The regression results show that only the company size (ASSET) passed the significance test, and its coefficient is positive, indicating that the company size is positively correlated with the executive compensation, that is, the higher the company size, the higher the executive compensation level, so the assumption 2 was established.

5. Conclusion

5.1. Research Conclusions

In addition to the bias caused by the incompleteness of the sample, empirical analysis can be concluded that there is a significant positive correlation between firm size and executive compensation in the power industry, and the correlation between firm performance and executive compensation is not significant. At present, the power industry still belongs to the monopoly industry in China. The performance of power companies mainly comes from the monopoly resources they owned, but the efforts made by their executives are irrelevant, and the greater the degree of monopoly, the larger the enterprise, the more the better the performance. It illustrates the irrationality of the decision on

executive compensation of state-owned enterprises in China's power industry.

A large number of power companies represented by Huaneng, Datang and other enterprises have strong state-owned assets as a source of capital and a monopoly privilege. Their executive compensation has the property of monopoly of rent-seeking and monopoly profits. Moreover, due to the administrative color of the appointment of senior executives of state-owned enterprises, the mobilization and hiring are greatly influenced by the superiors, the principle of value orientation of enterprise executives is determined, the principle of balance of interests, the principle of performance and compensation, the principle of pluralism, and the principle of social equity. Enterprises still implement a single annual salary system, and the degree of marketization is low. Therefore, there are still many areas for improvement in the executive compensation system of power companies.

5.2. Policy Recommendations

5.2.1. Deepen the Competition Mechanism of the Industry and Rationalize the Relationship Between Government and Enterprises

It is necessary to solve the fundamental problem of the particularity of the monopoly itself and the irregularity of the wage management system of the state-owned enterprises in the power industry and the internal income distribution system, it is inevitable to deepen the reform of the electricity market, break the monopoly, especially to break the administrative monopoly and erase the intense color of industry monopoly.

We will continue to improve the corporate governance mechanism of state-owned enterprises in the power industry, use the balance mechanism of internal power of enterprises, and rely on independent compensation committees to realize the rationalization of the salary increase of state-owned enterprises in the power industry and the fairness and transparency of salary distribution. At the same time, the design of executive compensation for state-owned enterprises

in the power industry should be combined with the implicit incentives of various non-monetary motives of senior executives to be better used in China's power industry enterprises in transition.

5.2.2. *Executive Compensation Should Be Linked to the Real Performance of State-Owned Enterprises in Monopoly Industries*

Due to the scarcity of resources, the power industry companies have achieved monopoly profits, making the company's performance premium, and this part of the premium is usually not much related to the personal efforts of corporate executives. At the same time, corporate executives will achieve the goal of promotion or income increase by intervening and manipulating corporate earnings, resulting in distortion of accounting performance. Therefore, the assessment of the real performance of state-owned enterprises in monopoly industries requires an assessment of the company's management expense ratio (showing the position of executives) and the total asset turnover rate (operational efficiency of state-owned assets). It is necessary to divest and correct the performance of state-owned enterprises in monopoly industries in order to show their true performance.

5.2.3. *Establish a Professional Manager Market Mechanism*

Most of the senior executives of listed companies in the power industry are directly appointed by the administrative department, which makes the executives lose their binding and competitiveness. The professional manager market full of effective competition is the prerequisite for the effective implementation of the executive compensation mechanism. There is a large professional competitive pressure in the perfect manager market, which can force the incumbent managers to reduce short-term behavior, and also enable the business owners to accurately price the managers through the professional manager market and change their short-sighted behavior. Only in this way will it help to continuously improve the management level and overall quality of senior management personnel, speed up the process of salary marketization and socialization, increase the incentive effect on executive compensation, and stimulate the inexhaustible motive force for enterprise development.

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