

Exploration of the Relationship between Management Shareholding, Investor Relationship Management Corporate Performance

Liqiang Zhao¹, Yanfen Liu^{1,*}

¹Hunan Pofengzhe Education Technology Co., Ltd., Hengyang 421000, China

*Corresponding Author

Abstract: Academia has conducted a lot of research on the relationship between equity incentives and corporate performance in the past ten years. However, the research on the relationship between management shareholding, investor relationship management and corporate performance is still lack of comparative. This article uses qualitative research to conduct an empirical analysis, and conducts an empirical analysis of the relationship between management shareholding, investor relationship management and corporate performance. The study found that both management shareholding and investor relationship management can promote the improvement of corporate performance, and through the intermediary effect of investor relationship management, the impact of management shareholding on corporate performance is strengthened.

Keywords: management shareholding, investor relationship management, corporate performance

1. Introduction

The expansion of the scale of enterprises and the increase in the number of personnel will inevitably lead to the separation of ownership and management rights. Under the separation of the two powers, a corporate management system with professional managers as the core has gradually formed, and has become a hot topic for scholars[1]. According to the principle of maximizing human interests, senior management is not the owner of the enterprise, and may choose behaviors that are different from the owner's goals due to opportunism. Equity incentives can kidnap the interests of business owners and management through management's shareholding, which has attracted widespread attention from the business community.

In recent years, my country's market operating mechanism has been continuously improving, and corporate management, especially the management standards of listed companies, has also been improved day by day. Especially the management of large listed companies has been at the forefront of the world's management field[2]. On the one hand, enterprises have introduced a large number of international talents at a high cost, which provides human resources for the modern management of enterprises. On the other hand, the development of my country's economy and the enhancement of comprehensive strength have improved the national self-confidence of the business community and contributed to the development of corporate management provided the driving force. A sound equity structure and management system, high-quality information disclosure and good social public relations can help companies build a good governance structure.

Through investor relations management, on the one hand, it can solve the information asymmetry between the company and external stakeholders and help the company maximize its own value. On the other hand, the IRM department collects feedback from the outside world, including investors, intermediaries, etc. , it has supervised and promoted the operation and management of the operators. In the research on investor relationship management, the impact of IRM on corporate performance usually starts from the aspects of equity checks and balances, institutional perspective, and management background characteristics. Based on the study of the impact of management's shareholding on corporate performance, this article explores the relationship between the three under the mediating effect of investor relationship management.

2. Research hypothesis

Management shareholding can promote the improvement of corporate performance in many ways, such as bundling the interests of managers with the interests of corporate owners, and alleviating the contradiction between principal and agent. It can also encourage the management to work harder, help the company improve the equity governance structure, and encourage the management to create benefits for the company. The management's shareholding may also inhibit the improvement of corporate performance. For example, the management with more decision-making power may pursue the maximization of their own interests in more ways[3-5]. It may also cause the management to sit back and relax and become more lazy, resulting in inaction. Affected by social culture, management holding a certain equity often has a higher sense of corporate responsibility. Therefore, this article believes that management holdings can promote the improvement of corporate performance. Hypothesis 1 is proposed as follows:

Hypothesis1. There is a positive correlation between management's shareholding and corporate performance

Enterprises collect information including market status, competitors, their own operating status, macroeconomic situation, etc., through segmentation of various types of investors, and formulate specific management plans. Through investor relationship management, the company's strategic management work is more perfect, and a benign interaction of the overall operation of the company is formed. As shareholders value investor relations management, information disclosure can often only transmit information in one direction, and can't solve the problem of two-way communication between corporate management and shareholders. It is generally believed that through information communication can improve the credibility of the enterprise, and can also help the management to make better decisions. Based on this, this article proposes the following hypotheses:

Hypothesis2. There is a positive correlation between investor relationship management and corporate performance

Investor relationship management is usually implemented by management decisions, and the role of investor relationship management in the process of management's shareholding on corporate performance is worth thinking about. Through investor relations management to various information is screened and reported to the corporate management to help the corporate management better carry out daily operations and development planning. Regarding the relationship between the three, this article believes that investor relationship management has an intermediary effect in the relationship between management's shareholding and corporate performance. This paper proposes hypothesis 3 as follows:

Hypothesis3. Investor relationship management has an intermediary effect in the effect of management's shareholding on corporate performance

3. Empirical research

3.1 Data source and sample selection

In order to ensure the representativeness of the data, in the sample database, this paper excludes listed companies whose main business has undergone major changes within 5 years, and related data in the financial industry, and finally obtains a sample of 90 listed companies.

3.1.1 The explained variable

Corporate performance: There are many ways to measure performance, and many scholars have tried many ways in the process of researching corporate performance. Each measurement method has its advantages and disadvantages. This article selects the return on total assets (ROA) as an indicator to measure corporate performance. In addition, this article uses Tobin's Q value (TQ) and earnings per share (ESP) as alternative indicators to conduct an empirical robustness test.

3.1.2 Explaining variables

Management holdings

Management Shares (Stock) this article uses the total number of shares held by senior management disclosed in the annual reports of listed companies.

3.1.3 Intermediary variables modify investor relations management as an intermediary variable

Investor relations management

Investor Relationship Management (IRM) This article draws on the investor relationship management index constructed by Li et al. (2009), in which the overall level of investor relationship management is composed of three aspects: state level, organization level and quality status.

3.1.4 Other control variables

This article selects the following variables as control variables:

Debt: It reflects the debt level of a company. The relationship between different debt-to-asset ratios and corporate performance is worth thinking about. Size: The size of an enterprise is usually expressed by the amount of total assets of the enterprise. Generally, the larger the scale, the higher the profit of the enterprise, but at the same time, the expansion of the scale may also result in low organizational efficiency and reduced competitiveness. Time to market (Age): That is, the number of years a company has been listed. Generally speaking, the length of time to go to market affects the company's total capital accumulation, which in turn affects its performance. Growth: Growth reflects the company's industry conditions and profitability expectations, and is generally expressed by the company's operating income growth rate. The management salary is expressed by the amount of management salary announced in the company's annual report.

The meaning and measurement method of each variable are shown in the following table:

Table 1 Add variable definition table to variable definition table

Variable attributes	Variable name	Variable code	Calculation
Explained variable	Business Performance	ROA	Return on total assets
Mediating variable	Investor Relations Management	IRM	Investor Relations Management Index
Explanatory variables	Management holdings	Stock	The total number of shares held by senior management
Control variable	Assets and liabilities	Debt	Debt-to-asset ratio
	Enterprise size	Size	Amount of total assets of the enterprise
	Time to market	Age	The company's listing years
	Growth	Grow	Business revenue growth rate
	Management compensation	Salary	Management salary amount

3.2 Model construction

Model 1: In order to test the hypothesis 1 proposed in this article, the following model 1 is constructed as follows:

$$ROA = \alpha_0 + \alpha_1 Stock + \alpha_i \sum_{i=1}^{i=n} X_i + \sum year + \sum industry + \varepsilon_{it}$$

Model 2: In order to test the hypothesis 2 proposed in this article, the following model 2 is constructed as follows:

$$ROA = \alpha_0 + \alpha_1 IRM + \alpha_i \sum_{i=1}^{i=n} X_i + \sum year + \sum industry + \varepsilon_{it}$$

Model 3: In order to test the hypothesis 3 proposed in this article, the following model 3 is constructed:

$$ROA = \alpha_0 + \alpha_1 Stock + \alpha_2 IRM * Stock + \alpha_i \sum_{i=1}^{i=n} X_i + \sum year + \sum industry + \varepsilon_{it}$$

4. Empirical test and result analysis

4.1 Data descriptive statistical analysis

The minimum value of corporate performance is -0.3075 and the maximum value is 0.3189, indicating that the profitability of listed companies is positive or negative, and the average value of corporate performance is 0.0237, indicating that the profitability of listed companies is acceptable on average. In terms of management's shareholding, the overall level of management's shareholding is not high, and the equity incentive mechanism is not yet mature. It can be seen from the table that the average value of management's shareholding is 0.3594, indicating that listed companies are doing equity incentives. A certain amount of work has been done, but there is still a certain distance. The maximum value of investor relationship management is 0.9791, indicating that some companies attach great importance to investor relationship management and have formed a standardized and complete relationship management system. The average value is 0.6941, but the minimum value of IRM is 0.2189, indicating that there are still some companies the emphasis on IRM is not high.

The minimum asset-liability ratio is 0.0531, and the standard deviation is 0.1237, indicating that the asset-liability ratio of listed companies in my country is quite different. The smallest time to market is only one year, the maximum is 25 years, and the standard deviation is 0.7491. The average value of the enterprise size is 26.7913, the maximum value is 35.6731, and the minimum value is 16.7912. The maximum value of corporate growth is 1.8239, indicating that the growth rate of companies with better growth is very impressive, and the mean value of the growth variable is 0.3129, and the standard deviation is 0.8862, indicating that the growth of sample companies is quite different. The minimum management compensation is 9.3102 and the maximum is 23.9412.

Table 2 Descriptive statistics of main variables

	Variable name	N	Minimum	Max	Mean	Standard deviation
Explained variable	ROA	90	-0.3075	0.3189	0.0237	0.1203
Explanatory variables	Stock	90	0.0189	0.5964	0.3594	0.1591
	IRM	90	0.2189	0.9791	0.6941	0.0954
Control variable	Debt	90	0.0531	0.9831	0.5324	0.1237
	Age	90	1	25	9	0.7491
	Size	90	16.9712	35.6731	26.7913	0.2386
	Grow	90	-0.2317	1.8239	0.3129	0.8862
	Salary	90	9.3102	23.8412	14.3789	0.8210

4.2 Stationarity analysis of data

In order to prevent the false regression of the model caused by the instability of the variable data series, before the regression analysis, this article first analyzes the stationarity of the data. The unit root test was performed on 8 variables respectively, as shown in the following figure:

Table 3 The P value of the unit root test of the main variables

	ROA	Stock	IRM	Debt	Age	Size	Grow	Salary
PP	0.0000	0.0001	0.0000	0.0001	0.0020	0.0014	1.0000	0.9601
Post-differential LLC							0.0010	0.0000

4.3 Regression analysis

Taking corporate performance as the dependent variable, management holdings as the independent variable, and adding the control variable to perform multiple regression analysis, the results are shown in the following table:

Table 4 Regression results of the relationship between management's shareholding and corporate performance

Variable	(1)	(2)	(3)
Stock	0.1374*** (2.1264)	0.2160* (1.2019)	0.2103* (1.0239)
Debt	0.0239* (1.0984)	0.0597 (1.5617)	0.1971* (1.9423)
Age	-0.1039* (1.5314)	-0.2018** (1.2094)	-0.0946* (1.1384)
Size	0.8231 (1.6843)	0.2196* (1.2016)	0.2791* (1.4301)
Grow	0.6109* (1.0843)	0.5210** (1.1287)	
Salary	0.2102* (1.5379)		
Year	control	control	control
Industry	control	control	control
Adj.R2	0.6019	0.5946	0.7792
F	164.280	162.021	95.000
Hausman	34.31	58.91	76.28
P(Hausman)	0.0000	0.0000	0.0010

5. Conclusion

This question draws conclusions through research: First, there is a positive correlation between management's shareholding and corporate performance. Management can make its own interests consistent with the company's interests through shareholding, which is helpful to the company. Performance-improving management measures help companies optimize the ownership structure and realize an efficient mechanism for corporate business decision-making; second, there is a positive correlation between investor relationship management and corporate performance, and investor relationship management helps companies build mutual trust with investors a mutually beneficial relationship can feed back valuable information in the market to management through information transmission, and discover possible risks and weaknesses in its work; third, investor relationship management strengthens the relationship between management's shareholding and corporate performance Through investor relationship management, it helps companies strengthen internal control, optimize corporate information communication mechanisms, form a supervisory and guiding role for management's work, and give the company's performance wings to take off.

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