

Research on Equity Incentive of State-Owned Listed Companies

Zixi Sheng

Institute of Economics and Management, Jiangsu University of Science and Technology, Zhenjiang, Jiangsu
212000, China

707726009@qq.com

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Abstract: this paper focuses on the equity incentive of state-owned listed companies, and introduces the current situation and existing problems of state-owned listed company H company as the case analysis object. Through the case analysis, it is concluded that H company takes advantage of the liability company in terms of the shareholding platform, and the decision makers, middle and senior management and backbone layer, which account for 10% of the total number of employees, enjoy the incentive mode of issuing limited shares.

1. Introduction

Equity incentive is a hot topic in recent years. Although the research on equity incentive is still in the development stage, it has attracted the attention and favor of many companies because of its good role in promoting the sustainable development of enterprises. Silicon Valley high-tech companies first introduced the equity incentive mechanism in the middle of the 20th century. Since then, the equity incentive mechanism has been widely used and promoted by management in listed countries in Europe and the United States. After global companies are optimistic about this kind of incentive, and increase theoretical and practical research and application, the US equity incentive policy has a negative impact.

2. Mode of Equity Incentive

In terms of the choice of incentive methods, more than 75% of enterprises have chosen restricted stocks. In 2017, 396 A-share listed companies issued announcements involving 407 equity incentive plans, of which more than three-quarters of the plans adopted the incentive model of restricted stock, and less than one-quarter of the plans adopted the option of stock options. Incentive model, and less than one in 10 plans used both models at the same time.

From 2020 to the first half of 2021, according to the status quo of the development of equity incentives for state-owned listed companies, the equity incentive plans of state-owned listed companies benefited from local policy support. The space is increasing day by day, and the popular assessment indicators in the market are economic added value, net profit growth rate, and ROE. Most enterprises often use a fixed base year as the basis for assessment in the form of assessment. Enterprises with relatively large performance fluctuations choose the three-year average as the base to cope with performance fluctuations. Growth-stage enterprises use rolling compound growth rate and year-on-year growth rate to maintain their own sustainable growth rate. Sustained growth.

Under normal circumstances, stock options are given by the company to the incentive objects who have completed the assessment conditions to have the right to purchase the stocks of the designated company at a predetermined price and quantity within a certain period of time in the future. market price. Eligible incentive objects can choose to exercise the right or give up the right to exercise. During the prescribed exercise period, if the exercise price is lower than the current share price, you can choose to exercise the option, buy the company's stock at the exercise price and hold it. After the option is exercised, the part of the company's stock price higher than the exercise price is the profit from the exercise. If the current share price of the company and the expected future share price of the company are both lower than the exercise price, you can choose to give up

the exercise.

3. Development History and Current Situation of Equity Incentives in State-Owned Enterprises

3.1 Development History of Equity Incentive in State-Owned Enterprises

The first law related to equity incentives in my country was the “Company Law” promulgated and implemented in 1994. The formulation of this law has witnessed the development of the shareholding system reform of my country's enterprises, marking that shareholding enterprises will become the mainstream force in the development of the industry and will be accepted by more people. This trend of social development has laid a solid foundation for large state-owned enterprises to turn to the mode and direction of joint-stock development. For joint-stock enterprises, equity incentives will become an important part of the construction of their long-term incentive and restraint mechanisms.

In the 1990s, my country's economy achieved rapid development, and the shareholding reform of state-owned enterprises also became an important event in the social development at that time, which attracted widespread attention in the whole society. With the continuous maturity and improvement of the development of the joint-stock system, many state-owned enterprises are gradually promoting and trying them out. As one of the first pilot cities for shareholding reform, Beijing promulgated in 1999 the “Guiding Opinions on State-owned Enterprise Operators Implementing the Pilot Program of Futures Stocks” with great social influence and historical significance. The introduction of the guidance has detailed plans and arrangements for encouraging state-owned enterprises to carry out shareholding reform. During this period, Beijing also selected a number of representative enterprises to carry out shareholding reform. The number of joint-stock state-owned enterprises in Beijing achieved rapid growth in the following years. Since Beijing's state-owned enterprises have achieved success in the shareholding reform, other cities in China have also promoted the “Beijing Experience” and applied the shareholding reform to local state-owned enterprises to help state-owned enterprises achieve transformation and development and enhance their market competitiveness. During this period, the cities that completed the joint-stock reform of state-owned enterprises mainly included: Zhejiang, Shenzhen, Jinan, etc.

In September of the same year, the 15th Committee of the Communist Party of China passed the “Decision on Several Major Issues Concerning the Reform and Development of State-owned Enterprises of the Central Committee of the Communist Party of China”. The decision clearly states that in the next period of time, the management level of my country's state-owned enterprises should be vigorously promoted through the reform of the incentive mechanism for state-owned enterprise operators, and the income of state-owned enterprise operators should be linked to their performance levels. In 2005, in order to solve the problem of chaotic distribution of interests between tradable shares and non-tradable shares in the development of the financial market, the state carried out a deepening reform of the shareholding work of state-owned listed companies. The effective implementation of this reform measure has not only played a good role in promoting the interest coordination between tradable shares and non-tradable shares, but also made the definition of equity of many state-owned enterprises clearer, opening up opportunities for my country's state-owned enterprises to implement equity incentives. the way. Subsequently, my country has successively formulated and promulgated a number of laws and regulations to improve the issue of equity incentives for state-owned enterprises. The more representative ones include: the Company Law, the Securities Law, and the Regulations on Regulating Issues Concerning the Implementation of Equity Incentives by State-controlled Listed Companies Supplementary Notice” and “Trial Measures for Equity Incentives of State-controlled Listed Companies”, etc. The promulgation and implementation of these laws and regulations has made detailed regulations and introductions to the stock repurchase, corporate governance and many other contents involved in the equity incentive of state-owned enterprises, and also provided an institutional guarantee for the implementation of equity incentives by state-owned enterprises in my country. The development of equity incentives

has become the main way and means for state-owned enterprises to establish long-term incentive and restraint mechanisms.

3.2 Development Status of Equity Incentives in State-Owned Enterprises

With the increasingly fierce market competition, state-owned enterprises pay more and more attention to human resource management and employee incentives. However, due to the original system and existing solidified ideas, for many state-owned enterprises, there are still certain limitations and deficiencies in the construction and development of equity incentives.

In the construction of equity incentives, state-owned enterprises always hope to effectively coordinate the interests of both parties and improve the operation efficiency of enterprises by means of “distributing a corresponding amount of equity to shareholders and operators”. However, the effect obtained in the actual implementation process is not very ideal. In response to the issue of owning equity in an enterprise, employees mostly believe that the state has such requirements for joint-stock enterprises, and that what enterprises provide is not so-called “welfare”, so the incentive effect on employees is not obvious.

4. Analysis of h Company's Shareholding Structure and Current Shareholding Incentive Plan

4.1 Profile of Company h

Company H was established on November 4, 2003, and was successfully listed on the main board of the Shenzhen Stock Exchange on September 8, 2021. As a subsidiary company of China National Railway Group Co., Ltd., H company is headquartered in Beijing with a registered capital of 4 billion yuan. Its main business is to build logistics, refrigerated logistics, and commercial vehicle logistics. Its business scope includes the leasing of special railway vehicles for special goods and related equipment. , Manufacture, installation and maintenance of railway transportation equipment, facilities and accessories, railway transportation of special goods and warehousing of goods, information services, packaging, distribution processing, distribution, loading and unloading, human resources services, sales of food, non-vessel shipping, road goods transportation, etc. Company H has 2 wholly-owned subsidiaries, 3 mechanical thermal insulation vehicle depots, and 16 branch companies. The 55 commercial vehicle logistics centers under it cover a total area of 2.78 million square meters.

4.2 The Current Situation of the Company's Equity Structure and Compensation System

As of the end of December 2020, in the equity structure of Company H, China Railway Investment Corporation held 85% of the shares, and the actual controller of the company was China State Railway Group Co., Ltd., which held 100% of the shares. Through equity transfer and other methods, Shenzhen CIMC Investment Co., Ltd., Ningbo Puyin Enterprise Management Partnership (Limited Partnership), Suqian Jingdong Xinsheng Enterprise Management Co., Ltd., CRRC Capital Holdings Co., Ltd., Shenzhen Anpeng Smart Investment Fund Enterprise (Limited Partnership) Partnership) and Dongfeng Motor Group Co., Ltd. obtained shares of Company H with a transaction value of 2.365 billion yuan, accounting for 15% of Company H's existing shares.

4.3 Analysis of the Current Equity Incentive Plan of h Company

Although Company H was listed relatively late, it has passed the full shareholding stage. Company H regards the limited liability company as an employee shareholding platform in accordance with the indirect shareholding method of the incentive object. With the help of the shareholding company, Company H can directly finance and let the limited liability company provide it with more convenient share management. Serve. In this way, the major shareholders and incentive objects of H company can learn about H company dynamics and manage H company more conveniently with the help of the limited liability company.

5. Conclusion

This paper takes the equity incentive problem of state-owned listed companies as the research focus, and introduces the current situation and existing problems of equity incentives of the state-owned listed company H company as the object of case analysis. By analyzing the equity structure, compensation system, and current equity incentive plan of Company H, it is found that Company H relies on a limited liability company in terms of its shareholding platform, locks the incentive objects at the decision-making level, middle and high-level management, and backbone level, and uses limited stocks. Incentives are given out. The number of incentivized people is very small, accounting for only 10% of H company, and there is an uneven proportion in enjoying incentives. Similar to other listed companies, Company H's exit mechanism and exercise conditions are relatively simple, but the incentive cycle is short. By evaluating the effect of H company's equity incentive plan, it is obtained that H company's financial index dimension effect, talent management dimension effect, and performance coefficient dimension effect have all improved in a short period of time, but the effect of long-term development is not optimistic.

Therefore, in view of the problems existing in the current equity incentive plan of Company H, such as difficulty in obtaining incentives for new employees, single performance evaluation indicators, unreasonable duration of the incentive plan, and high cost of equity incentives, it is suggested that Company H should expand the scope of equity incentive objects and set up diversified incentives. Improve the equity incentive plan by evaluating indicators, reasonably setting the incentive period, and reasonably controlling the incentive cost.

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