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Research on the Influence of the Leadership Structure of Private Listed Companies on Investment Efficiency

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Abstract: ***This article is based on two types of agency theory and information asymmetry theory, and selects private companies listed on Shanghai and Shenzhen A shares from 2015 to 2019 as a sample. Use the Richardson residual model to measure corporate investment efficiency. After controlling the influencing factors of investment efficiency, use a multiple regression model to empirically test the leadership structure (1. The actual controller serves as the chairman or general manager 2. The chairman serves as the general manager). The impact of corporate investment efficiency. This article mainly draws the following research conclusions: First, the actual controller concurrently serving as the chairman or general manager will significantly reduce the investment efficiency of private enterprises. Second, the chairman and general manager will significantly reduce the investment efficiency of private enterprises. Therefore, if a listed company adjusts the power distribution of the general manager and the chairman of the board according to the specific situation of each company, it can improve the investment efficiency of the company to a certain extent, and thus better achieve the business objectives of the company.***

Keywords: Private enterprise; leadership structure; investment efficiency; actual controller

1. Introduction

Investment is one of the "troikas" driving China's economic development. It plays an important role in China's economic development. The speed and efficiency of corporate investment affect the speed and quality of China's economic growth. In recent years, China's economy has entered a new normal, and the economic development speed has changed from high-speed growth to medium-to-high speed growth. One of the manifestations is that investment has begun to appear weak. In addition, the central government has also clearly proposed to accelerate the transformation of China's economic growth mode, shifting from focusing on growth speed to focusing on growth quality. Although the quality of my country's economic growth has been greatly improved at present, there are still low overall investment efficiency of enterprises and insufficient R&D investment intensity. And other issues. Therefore, researching on the issue of investment efficiency has strong practical significance.

At present, the State-owned Assets Supervision and Administration Commission and other departments have introduced policies and regulations to regulate the clean conduct of state-owned enterprise leaders in order to better supervise the concurrent work of senior executives of state-owned enterprises and prevent corporate leaders from abusing their powers and damaging the rights and interests of state-owned assets. Due to the imperfect penalty mechanism of executive supervision measures, their actual effects are very limited. The investor protection legal system is relatively weak, and the social supervision and government supervision faced by private enterprises are relatively weak. Taking into account the previous problems, this article selects private enterprises as a sample for research and discussion. The actual controllers of private enterprises in our country generally participate in the management of enterprises. They are the core and soul of private enterprises and have a significant impact on the success or failure of enterprises. Leadership structure has always been a hot topic in academic research. One view believes that the two positions should be integrated to prevent multiple leaders and improve the speed of corporate decision-making and work efficiency; the other view believes that the two positions should be separated and the two positions should be separated. There is a mechanism of mutual supervision and urging between the participants.

2. Literature Review

2.1 Leadership structure

As an important mechanism of corporate governance, the leadership structure will have an important impact on the company. The current research on the structure of leadership is only from the perspective of the integration of two jobs, and there is still a big controversy about whether the two jobs should be combined or separated. The existing research on the economic consequences of the leadership structure of the company has not yet been formed. Consistent conclusion. Overall, there are mainly three different viewpoints. First, with regard to the research supporting the separation of the two positions, Rao Yulei and Wang Jianxin (2010) found that the separation of the two positions can correct the irrational behavior of managers in the process of business decision-making, thereby helping to improve the company's operating performance[1]; , Research on supporting the integration of two jobs. Zhu Yujie et al. (2016) believe that managers are far from speculators, and have enough motivation to become a good trustee in order to obtain a higher rate of return and sense of accomplishment [2]. Moreover, with the intensification of product market competition, decision-making efficiency is the key to a company's success. Improving decision-making efficiency has a positive impact on companies' performance improvement. There is also a view based on the theory of environmental dependence, which believes that there is no difference between the integration of two jobs and the separation of two jobs, but rather depends on the environment facing the enterprise.

2.2 Investment efficiency

To study the investment efficiency of listed companies in our country, we must consider our country's special institutional background. With the continuous refinement of related research, more and more scholars have discovered that managers' inefficient investment behaviors are common in large state-owned listed companies. Based on our own research results, it can be found that the scope of investment efficiency discussed by domestic scholars mainly covers the correlation between free cash flow, debt financing, accounting information quality, equity concentration, etc. and inefficient investment. First of all, regarding the correlation between free cash flow and inefficient investment, Li Wei and Li Yanhe (2017) believe that companies with a lack of free cash flow tend to underinvest. By introducing internal control variables, they found that the higher the quality, the more It can reduce the impact of free cash flow on the company's underinvestment behavior[3]. Regarding the correlation between debt financing and inefficient investment, Shi Jinyan and Chen Tingting (2016) believe that both commercial credit and bank borrowing can effectively alleviate the inefficient investment behavior of small and medium-sized companies, and the effect of commercial credit is more significant [4]. Finally, regarding the correlation between equity concentration and inefficient investment, finally, regarding the correlation between equity concentration and inefficient investment, Jia Mingqi et al. (2017) pointed out that the total shareholding ratio of the company’s top five and top ten shareholders Conditions can have a significant impact on investment efficiency, but the largest shareholder cannot have a significant impact on investment efficiency [5].

2.3 Comprehensive review

Leadership structure and investment efficiency have always been hot topics of research. Through reviewing the research literature of both, we can find that the existing research results of them at home and abroad are very rich. Generally speaking, foreign research started earlier, and theoretical research is more in-depth and detailed. Most domestic research is based on the research theories of foreign scholars, and analyzes and studies in combination with the actual situation of my country's capital market while drawing lessons. However, there are few literatures that specifically study the relationship between leadership structure and investment efficiency, and no consensus has been reached.

3. Theoretical analysis and research hypothesis

When the actual controller concurrently serves as the chairman or general manager of the company, its managerial powers may increase significantly. However, at the level of corporate governance, taking into account the self-interested behavior under agency costs and the rationality of the company's supervision mechanism, the actual controller and chairman of the board are generally criticized. When the actual controller concurrently serves, the chairman's position within the company is strong and stable, but too concentrated power may prevent him from effectively listening to the opinions of unrelated members and making extreme decisions, thereby increasing the company’s operating risks. Based on the above discussion, do now The following assumptions:
H1: The actual controller is the chairman or general manager of the company, the lower the investment efficiency of private listed companies.

In the modern corporate system, the distribution of power between the chairman and the general manager directly affects whether the leadership power of the company's internal board of directors is concentrated. The principal-agent theory believes that the agency problem is an important reason why enterprises are facing various economic problems. In the long run, there is no effective method to eliminate the many ills caused by the existence of agency relations. If the two positions are unified, then as the leader of this supervisory agency, he is also the subject of supervision, so whether the internal control system of the board of directors is effective may be questioned. Therefore, the separation of the two positions of chairman and general manager can effectively ensure the independence of the company's management and executives, and reduce the risk of shareholder interest being violated. Therefore, this article believes that the combined leadership structure of the chairman and the general manager is not conducive to the formation of checks and balances, reduces the independence of the board of directors, is not conducive to the effective play of the supervisory role of the board of directors, and increases the manager’s opportunistic tendency The company’s inefficient investment behavior. Based on the above analysis, hypothesis 2:

H2: The combination of chairman and general manager will aggravate the company's inefficient investment.

4. Research design

4.1 Sample selection and data source

This article selects my country's A-share listed companies as the research sample, and the observation time window is 2015-2019. In order to ensure the validity of the data and the rigor of the research, this article screens the samples according to the following principles:
1) Exclude ST companies in the sample;
2) Exclude companies that have been delisted;
3) Exclude listed companies in the financial industry. Due to the particularity of the financial industry, financial data
4) According to statistics, there is a big difference from general enterprises and poor comparability;
5) Eliminate companies with missing or abnormal data;

After screening the research samples according to the above methods, this article uses A-share private listed companies in Shanghai and Shenzhen stock exchanges as the research samples, collecting a total of 7034 sample values from 1819 listed companies. The financial data used in the research model of this article is taken from the Guotaian database.

4.2 Variable description

The explained variable is mainly corporate investment efficiency. This paper adopts the residual measurement model proposed by Richardson: Richardson proposed a model to measure corporate inefficient investment when studying the relationship between free cash flow and investment efficiency. The main idea is to roughly Estimate the optimal capital investment of the enterprise, and then use the residual error as a measure of efficiency. When the residual error is greater than zero, the enterprise invests too much, and when the residual error is less than zero, the enterprise has insufficient investment.

One of the explanatory variables is whether the actual controller is concurrently the chairman or general manager: it measures whether the actual controller and the chairman or general manager of a private listed company are held by one person. This variable is a dummy variable. When one person is concurrently serving, this variable takes 1 , Otherwise take 0. Two positions in one: Measure whether the general manager and chairman of the company are held by one person. This variable is a dummy variable. When the general manager and chairman are held by the same person, Dual takes 1; otherwise, it takes 0.

Based on previous research, this article considers the asset-liability ratio (Lev), corporate size (Size), profitability (ROA), board size (Board), equity concentration (Topl_Share), cash flow status (Cash), executive compensation incentives (LnPay) and other corporate characteristics may affect the investment level and investment efficiency of private companies.

4.3 Model design

(1) According to the previous correlation analysis, in order to test the hypothesis H1, the following model is designed:

$$Invest = \beta_0 + \beta_1 Cor + \beta_2 Lev + \beta_3 Size + \beta_4 ROA + \beta_5 Board + \beta_6 Top1 + \beta_7 Cash + \beta_8 Lnpay + \sum Year + \sum Industry + \varepsilon \quad (1)$$

If the Cor coefficient β_1 is significantly negative, it means that the actual controller concurrently serving as the chairman or general manager reduces the company's inefficient investment and increases the company's investment efficiency; if β_1 is significantly positive, it means that this leadership structure enhances the company's Inefficient investment, which reduces the efficiency of corporate investment.

(2) In order to verify the research hypothesis H2 of this article, the following model is designed:

$$Invest = \beta_0 + \beta_1 Dual + \beta_2 Lev + \beta_3 Size + \beta_4 ROA + \beta_5 Board + \beta_6 Top1 + \beta_7 Cash + \beta_8 Lnpay + \sum Year + \sum Industry + \varepsilon \quad (2)$$

If the Dual coefficient β_1 is significantly negative, it means that the chairman concurrently serving as the general manager reduces the company's inefficient investment and improves the investment efficiency of the company; if β_1 is significantly positive, it means that this leadership structure enhances the company's inefficient investment, Which reduces the efficiency of corporate investment.

5. Empirical Test

5.1 Descriptive statistics

After statistically summarizing the sample values, the data characteristics of the main variables are briefly analyzed. The specific descriptive statistical results can be seen in the following table:

Table 1: Descriptive statistics of variables

Variable	*Mean*	*Sd*	*Min*	*Medium*	*Max*	*N*
Abs	0.052	0.078	0.000	0.030	1.070	7034
Cor	0.717	0.451	0.000	1.000	1.000	7034
Dual	0.394	0.489	0.000	0.000	1.000	7034
Over	0.071	0.114	0.000	0.034	1.070	2605
Under	0.040	0.040	0.000	0.029	0.444	4429
Lev	0.405	0.205	0.008	0.394	3.919	7034
Size	22.145	1.107	17.641	22.060	26.850	7034
Roa	0.032	0.098	-1.872	0.038	0.675	7034
Board	8.187	1.534	0.000	9.000	17.000	7034
Top1	29.869	12.971	0.286	28.139	89.986	7034
Cash	0.211	0.346	0.000	0.153	11.532	7034
Lnpay	6.294	0.302	3.925	6.274	7.839	7034

As can be seen from the above table, the average value of the sample of the actual controller concurrently serving as the chairman or general manager of private enterprises is 71.7%, accounting for close to 1, indicating that more than half of the private enterprises have the actual controller concurrently serving as a senior manager. Study this leadership structure The influence in private enterprises has strong practical significance. The average value of the sample of chairman and general manager is 39.4%, indicating that more than one-third of private enterprises have the phenomenon of chairman and general manager, laying a solid foundation for our research on leadership structure.

Secondly, the proportions of underinvestment and overinvestment in private enterprises are 62.97% and 37.03%, respectively, indicating that there are relatively more companies with underinvestment problems in private enterprises; the average values of underinvestment and overinvestment are 0.04 and 0.071, respectively. It shows that although more private enterprises have the problem of underinvestment, the problem of enterprise overinvestment is more serious.

5.2 Multicollinearity Test

In order to further verify that there is no serious multicollinearity between the variables, this paper uses the variance expansion factor. And tolerances are analyzed, and the analysis results are shown in the following table:

Table 2: Cor's variance expansion factor analysis

Variable	*Vif*	*Tolerance*
cor	1.03	0.9663
size	1.71	0.5837

lev	1.32	0.7583
Lnpay	1.31	0.7649
board	1.06	0.9457
top1	1.03	0.9753
cash	1.01	0.9869
Mean VIF	1.21	0.8545

Table 3: Analysis of Dual's variance expansion factor

Variable	Vif	Tolerance
dual	1.04	0.9654
size	1.73	0.5792
Lnpay	1.31	0.7605
lev	1.31	0.7659
board	1.07	0.9344
top1	1.02	0.9764
cash	1.01	0.9864
Mean VIF	1.21	0.8526

It can be seen from the above table that the variance expansion factors are all lower than 3, and the tolerance is greater than 0.3, which again confirms that there is no serious multicollinearity in this article, and the next OLS regression can be performed.

5.3 Multiple regression analysis

5.3.1 Cor leadership structure and investment efficiency

Based on the control of related control variables, industry and year, this paper uses Model 1 to conduct an empirical regression analysis on the relationship between whether the actual controller is also chairman or general manager and the investment efficiency of private enterprises, in order to avoid extreme values. For the impact of the regression results, this article narrows down the continuous variables in the model at the upper and lower 1% level. The specific regression results can be seen in the table below.

Table 4: Regression results of Cor and investment efficiency

Variavle	*coefficients*	*t Statistics*
Cor	0.005***	3.04
Lev	0.008*	1.96
Size	-0.001	-0.76
Roa	0.033***	4.06
Board	-0.001*	-1.81
Top1	-0.000	-0.05
Cash	0.041***	19.59
Lnpay	-0.009***	-3.47
Constant	0.113***	6.14
Year	Control	
Industry	Control	
Observations	7034	
R-squared	0.061	

Note: ***, ** and * in the table represent significant at the levels of 10%, 5% and 1% respectively

According to the results in column (1) of the table, it can be seen that the enterprise size (Size), debt level (LEV), profitability (ROA), board of directors (Board), shareholding ratio of the largest shareholder (Top1), cash Based on related variables such as cash flow status (Cash), executive compensation incentives (LnPay), and control of the year and industry, the coefficient of the actual controller concurrently serving as chairman or general manager is significantly positive at the 1% level. Since the greater the variable value of investment efficiency, the lower the level of investment efficiency of the enterprise. Therefore, this leadership structure is significantly negatively correlated with the investment efficiency of private enterprises. That is, the actual controller serving as the chairman or general manager will significantly reduce the investment of private enterprises. Efficiency, more inefficient investment will be made, verifying the hypothesis 1 of this article.

5.3.2 Dual and investment efficiency

This paper uses Model 2 to conduct an empirical regression analysis on the relationship between whether the chairman is also the general manager and the investment efficiency of private enterprises based on the control of related control variables, industries and years. The specific regression results can be seen in the following table.

Table 5: Regression results of Dual and investment efficiency

Variavle	*coefficients*	*t Statistics*
Dual	*0.005****	*3.68*
Lev	*0.007**	*1.73*
Size	*-0.001*	*-0.60*
Roa	*0.035****	*4.35*
Board	*-0.001*	*-1.54*
Top1	*-0.000*	*-0.08*
Cash	*0.040****	*19.50*
Lnpay	*-0.010****	*-3.79*
Constant	*0.117****	*6.37*
Year	Control	
Industry	Control	
Observations	7034	
R-squared	0.062	

Note: ***, ** and * in the table represent significant at the levels of 10%, 5% and 1% respectively

It can be seen from the above table that the regression coefficient between the integration of two occupations and investment efficiency is significantly positive at the 1% level. Because the greater the variable value of investment efficiency, the lower the level of investment efficiency of the enterprise. Enterprise investment efficiency is significantly negatively correlated, that is, the chairman and general manager will significantly reduce the investment efficiency of private enterprises, and will make more inefficient investments, which verifies the hypothesis 2 of this article.

6. Conclusions and policy recommendations

After studying the influence of the leadership structure on the investment efficiency of private enterprises, this article draws the following conclusions: First, the actual controller serving as the chairman or general manager will significantly reduce the investment efficiency of private enterprises. The chairman or general manager will consolidate the rights of the chairman within the enterprise, and finally lead to the problem of low investment efficiency. Second, the chairman of the board concurrently serving as the general manager will reduce the investment efficiency of private enterprises. When the chairman of the company serves as the general manager, he may use his expanded power for his own personal gain, thereby causing investment efficiency problems.

In order to help private enterprises optimize project management and improve investment efficiency, this article puts forward the following suggestions: First, private enterprises should strengthen the supervision and management of the leadership structure. Second, private enterprises should continuously improve their own equity structure and establish a diversified compensation system. The greater the majority shareholder's control over private enterprises, the stronger their motivation and ability to "empty" the company. Third, we should continue to strengthen the external supervision of company decision-making.

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