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Article

Research on the Impact of Equity Incentives on the Investment Behavior of M Listed Company

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Abstract: Investment plays an important role in the growth of modern enterprises. It is not only the cornerstone of sustainable development, but also the investment efficiency. Now China is in an important period of high-quality economic development and optimization of resource allocation, using equity incentive as a long-term incentive tool to improve corporate investment behavior and improve investment efficiency, is critical to the company's sustainability. In the context of China's long-term shift from an investment-driven economy to one that is "innovation-driven, service-oriented and consumption-driven", traditional enterprises are actively transforming to emphasize innovation investment, the rapid development of new enterprises emphasizes efficiency investment, which becomes the focus of "efficiency dispute" and "innovation dispute" among enterprises. The 14th five-year plan proposes to achieve high-quality development and give full play to the advantages of innovation-driven development. In this case, the equity incentive is a kind of long-term incentive mechanism which is helpful for the development of the enterprise, thus reduces the manager's short-sighted behavior, lets it be able to carry on the daily management activity from the company long-term development angle one kind of effective means and the mechanism. In this study, M listed company in the home appliance industry are selected as research cases. Through the analysis of the impact of equity incentives on the investment behavior of M listed company five times, although it did not make the amount of investment significantly increased, but every time to complete the plan of the exercise of the conditions, long-term exercise of the right to make the late return to a stable development. Under the incentive mechanism of stock right incentive, the interests of shareholders, managers and core employees of M listed company are tied up well, which makes all departments, whether shareholders or employees, make decisions, always for the future development and long-term interests of the enterprise, so through the way of equity incentives to improve their loyalty to the enterprise, enthusiasm and sense of responsibility. The conclusions can provide theoretical support and empirical evidence for enterprises to improve their investment behavior by using equity incentive, and provide reference for enterprises in the industry to design and implement equity incentive mechanism.

Keywords: investment activities; equity incentives; investment efficiency; sustainable development; interest binding; loyalty

1. Introduction

Equity incentives are a commonly used tool in enterprises to motivate employees to actively participate in company development and improve company performance [1]. Since the 1960s, American listed companies have

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been using equity incentives to motivate employees [2]. Since 1999, China has gradually implemented stock option incentives. However, due to lack of experience, inadequate systems, and low recognition, the development of equity incentives has been relatively slow [3,4]. In 2002, China officially introduced the policy of equity incentives,but due to its short implementation time, its development is not yet perfect [5]. In 2006, with the promulgation of the "Trial Measures for the Management of Equity Incentives for Listed Companies", it marked the official entry of equity incentives into the stage of corporate governance in China. More and more listed companies in China began to use equity incentives as an important measure for employee motivation [4,6,7]. After the 2008 stock reform, more listed companies in China began to transform equity incentives into a daily incentive method for executives, and made it more standardized [2]. From 2010 to 2015, an increasing number of listed companies launched equity incentive plans on the Growth Enterprise Market, with an absolute increase in the number and an average growth rate of 227% [8]. The "Management Measures for Equity Incentives of Listed Companies" was officially implemented in 2016, marking the increasing coverage of equity incentives in companies and the improvement of equity incentive mechanisms. According to statistical data, as of 30 June 2016, a total of 1211 equity incentive plan announcements have been issued by Chinese A-share listed companies, and ultimately 924 equity incentive plans from 688 A-share companies have been implemented. Among them, from 2014 to the first half of 2016, a total of 412 companies issued announcements on the implementation of equity incentive plans for the Fortune 500 companies [9]. More than a decade has passed, and now the equity incentive system has become a norm in China. As of the end of 2021, 3801 different forms of equity incentive plans have been launched in China's A-share market, and 808 listed companies have introduced equity incentive plans, an increase of 82% compared to last year [4]. Equity incentives usually include stock options, stock appreciation rights, etc. It is a long-term incentive mechanism adopted by enterprises to motivate and retain core talents for employees. Equity incentives have a dual effect of incentives and constraints, theoretically alleviating conflicts of interest between shareholders and executives, and motivating executives to operate the enterprise efficiently [10].

Against the backdrop of rapid global economic development, traditional industries have experienced overcapacity, resource waste, and frequent overinvestment. In contrast, environmental protection and high-tech industries have also experienced underinvestment and low proportions. With the increasing scarcity of resources, how to improve investment efficiency has become a widely concerned issue [11]. For enterprises, negative investment behaviors such as overinvestment, underinvestment, and frequent changes in investment direction can have a significant impact on the effectiveness of investment, reducing the efficiency of resource allocation and hindering the long-term development of the enterprise. Improving the investment efficiency of enterprises not only contributes to their sustained and stable profitability, but also helps them acquire core competitiveness and enhance their potential for sustainable development. At the same time, it can also increase the production efficiency of enterprises and make fund allocation more reasonable [4]. Especially as China is currently undergoing economic transformation, investment is an effective way to create shareholder wealth and stimulate economic vitality. Optimizing the investment structure is conducive to expanding domestic demand and promoting economic growth [12]. Due to the separation of ownership and management rights, the emergence of agency relationships in modern enterprises leads to deviations in the interests and goals of shareholders and management, which affects investment behavior. Over time, improper investment behavior not only hinders the long-term development of the enterprise, but also has a negative impact on the orderly operation of the capital market [7,12]. Therefore, it is necessary and important to study the impact of equity incentives on corporate investment behavior. Looking at the research results of scholars at home and abroad, most experts and scholars examine the execution effect of equity incentives from the perspective of the relationship between equity incentives and corporate performance, while there is little research on equity incentives and investment behavior, and there are also many differences in existing research. Some scholars believe that equity incentives are one of the effective ways to solve investment problems. They bind company interests with managers, promote better utilization of company resources by managers, and improve investment efficiency [5,13]. Some scholars insist that with the emergence of equity incentives, company executives have been given more attention, and conflicts of interest between shareholders and executives have been alleviated. Equity incentives also enable company executives to obtain certain shareholder rights, thereby changing their

relationship with the original shareholders and enabling them to enjoy the value of enterprise development together as a community of shared interests. Some scholars have also found that equity incentives do not significantly inhibit overinvestment behavior, but rather exacerbate underinvestment behavior to a certain extent. Alternatively, after implementing equity incentives, companies generally exhibit inefficient investment behavior of overinvestment [5]. It can be seen that there is still a lot of room for exploration on the impact of equity incentives on the investment behavior of listed companies.

M listed company is a representative enterprise in China's home appliance industry, which has not only experienced the booming development stage of the industry, but also the industry downturn stage caused by policy adjustments and other reasons. However, it can still maintain a good development momentum and become a leader in the industry, largely due to the implementation of reasonable equity incentive policies. The reason why M listed company was chosen as the object of this study is not only because of its leading position in the industry, but also because it implemented equity incentives earlier and has successfully implemented five equity incentive policies. On the basis of previous research on equity incentives and investment behavior, the author will conduct a detailed analysis of the specific situation of M listed company's five equity incentives and their impact on investment behavior, in order to explore how these incentive measures specifically affect the company's investment behavior. The author hopes to add new insights to the existing academic literature on the impact of equity incentives and investment behavior of Chinese listed companies, thereby enriching our understanding of the mechanism of equity incentives and providing some reference for other home appliance companies in formulating and implementing equity incentive plans.

2. Literature Review

Li & Fu [2] empirically studied the impact of CEO equity incentives on corporate investment efficiency and the moderating effect of financing constraints between the two. They found that CEO equity incentives have a significant negative impact on corporate investment efficiency, mainly reflected in overinvestment. However, financing constraints can alleviate the negative effects of both to a certain extent and improve corporate investment efficiency. Liu [4] analyzed whether executive equity incentives can alleviate inefficient investment behavior based on the principal-agent framework, and the role of executive overconfidence in alleviating inefficient investment behavior through executive equity incentives. The results showed that: first, executive equity incentives in listed companies in China have not effectively solved the problem of agency conflicts, but have increased the possibility of inefficient investment in the company; Second, irrational factors such as managerial overconfidence are important factors that constrain the effectiveness of equity incentive policies. Equity incentives may induce managerial overconfidence or exacerbate managerial overconfidence, which in turn may lead to decision-making errors and increase the likelihood of ineffective investments. Cheng et al. [14] found that equity incentives have a restraining effect on inefficient investment of companies at different stages of their lifecycle. Similarly, Chen [13] conducted an empirical study on relevant data of A-share listed companies in Shenzhen from 2016 to 2021 to verify the impact of executive equity incentives on inefficient investment and further investigate the role of executive power in this impact. The results showed that executive equity incentives can effectively curb ineffective investment and improve investment efficiency. In addition, executive power has a negative moderating effect on equity incentives and ineffective investments. Qi & Xu [5] pointed out in their analysis of the impact of equity incentives on H company's investment methods, scale, and efficiency that it is of great significance for companies to effectively guide investment behavior and improve investment efficiency through equity incentives. In modern enterprises, in order to improve the operational efficiency of the company, shareholders, as the owners of the company, are willing to hire professional managers as company operators to maximize shareholder interests. However, the accompanying issue is the widespread agency problem between executives and shareholders. To reduce agency costs, companies can take measures such as supervision and incentives. With the expansion of the company's scale, the cost of supervising agents is high due to the limited time, energy, and ability of shareholders. The use of incentive measures as a solution to reduce agency costs has been widely recognized [15]. An appropriate equity incentive system can weaken the self-interest behavior of management, promote management to invest according to the standard of maximizing

enterprise value, and improve the efficiency and effectiveness of investment. At the same time, attaching great importance to the compensation of the company's management and core employees, implementing incentive measures such as equity incentives, can alleviate conflicts of interest between shareholders, management, and employees. Therefore, according to a series of relevant research literature, companies that implement equity incentives have more effective and efficient investment behavior than companies that do not implement equity incentives, and executive equity incentives have a positive governance effect [9]. Chen [10] studied the governance effect of equity incentives on corporate investment efficiency and the ultimate control characteristics, as well as the governance effect of equity incentives with different types of controlling equity. It was found that there is generally a situation of insufficient investment in listed companies in China; Compared to state-owned holding companies, equity incentives have a stronger governance effect on underinvestment in non-state-owned holding companies; Implementing executive equity incentives can improve the underinvestment of enterprises, but it will exacerbate the situation of overinvestment; When the concentration of ultimate control is in a relatively controlled environment, it is more conducive to leveraging the governance effect of executive equity incentives on underinvestment; Compared to the separation of ownership and control, the matching of ownership and control by the ultimate controller is more conducive to promoting the governance effect of equity incentives, thereby more effectively suppressing inefficient investment. In addition, implementing long-term equity incentive plans for corporate executives can enable management to focus on investment and innovation for a longer period of time, ultimately improving the performance of the company. The proportion of management shareholding is positively correlated with a company's R&D investment and performance, indicating that implementing equity incentive mechanisms can enhance the rationality of a company's R&D investment, thereby improving its financial performance [16]. After studying 570 Chinese companies listed on the Growth Enterprise Market, Xu & Cheng [8] found a significant negative correlation between equity incentives and inefficient investments by executives of Growth Enterprise Market listed companies. This means that the development of equity incentive plans can coordinate conflicts of interest between management and shareholders. After forming a consistent utility function, management's investment behavior has been improved, and inefficient investment behavior has significantly decreased. In addition, when dividing inefficient investment into two forms: overinvestment and underinvestment, it was found that the impact of equity incentives on investment efficiency is mainly reflected in suppressing overinvestment. Equity incentives not only involve corporate executives, but also involve ordinary employees. Although most research mainly focuses on executives, there are also a few scholars who have taken a different approach to studying the relationship between equity incentives and ordinary employees. Li's [12] study found that the implementation of employee stock ownership plans can motivate employee shareholders to actively participate in the company's business activities and investment decisions, thereby improving the investment efficiency of the enterprise. Research and development investment can fill investment gaps, focus on the company's investment direction, and play an intermediary role in the impact of employee stock ownership plans on investment deficiencies.

Although people's understanding of equity incentives is not consistent so far, there are also many problems in the implementation of equity incentives. With the continuous development and innovation of domestic and foreign economic markets, the improvement of securities regulatory systems and laws and regulations, equity incentive policies will be more widely applied. China's research on equity incentives can draw on the thinking and analytical methods of Western countries, as well as the empirical research models used. Of course, while borrowing and learning, it is also necessary to fully understand the actual situation faced by Chinese enterprises and establish equity incentive mechanisms that are suitable for China's national conditions according to local conditions.

3. Relevant Concepts and Theoretical Foundations of Equity Incentives

3.1. Concepts Related to Equity Incentives

Equity incentive is the distribution of enterprise equity or the income generated from enterprise equity in a certain way to management personnel, business personnel, and technical backbone personnel who have

outstanding performance or made significant contributions to the production management process of the enterprise [1]. By allocating a portion of the company's equity and the profits generated from it, allowing them to participate in the company's management decisions, a management mechanism can be formed between the company and its employees, where both risks and benefits are shared. This can constrain their rights and obligations, thereby regulating potential conflicts between management, revenue, and control, and motivating employees in various departments of the company to be efficient and responsible for the long-term development of the company [4,6,8,10,17]. Equity incentives can be divided into two categories: stock options and restricted stock rewards. Stock options enable executives to purchase company stocks at a predetermined price, typically linked to the company's future development and emphasizing long-term performance. Restricted stock awards involve executives receiving company stock on the grant date, but must meet performance goals and time requirements to incentivize the achievement of short-term and long-term company goals [1]. The purpose of implementing equity incentives in enterprises includes: establishing a community of shared interests within the enterprise, reducing the probability of behaviors that harm the overall interests of the enterprise due to the pursuit of personal interests, and linking the overall interests of the enterprise with the personal interests of employees; Retain the core talent resources of the enterprise, while also attracting more talents to win reputation for the enterprise; Restricting the performance improvement of employees and the behavior of management, reducing conflicts between shareholders, authorized agents, and employees, and achieving the expected incentive effect and benefit expectations of the enterprise [2,6].

There is a principal-agent relationship between shareholders and executives of a company [7], but in this relationship, the information obtained between the principal and the agent is asymmetric, which makes the contract between shareholders and the agent unable to be fully realized. In this case, it is necessary to rely on the agent's own "moral self-discipline" [17]. The value goals that shareholders and authorized agents of a company want to achieve are not exactly the same, and there are also certain differences in the process of achieving value goals. For example, shareholders of a company hope to maximize the value of their equity holdings in the development process of the company, while authorized agents hope to achieve their own value in the company and maximize it [8]. Therefore, there will inevitably be conflicts between the shareholders of the enterprise and the entrusted agents, ultimately leading to the entrusted agents deviating from the interests of the principal and attempting opportunistic behavior, resulting in moral hazard and other adverse selection of the entrusted agents [18], thereby reducing the operational management level of the enterprise and weakening the expected effect of equity incentives initiated by the enterprise.

3.2. Theoretical Basis of Equity Incentives

3.2.1. Principal-Agent Theory

The principal-agent theory is one of the fundamental theories for analyzing and studying some of the problems between corporate equity incentives and agency relationships. In the 1930s, Burleigh and Mines proposed the "principal-agent theory", in which they believed that the agency problem in modern corporate management systems stems from the rift between shareholder ownership and management's management rights. Therefore, the management rights and ownership of a company should be separated, and the integration of these two rights has a greater impact on the development of the company. The business owner can retain the remaining claim rights while transferring management rights to more professional and powerful managers. However, because the management does not have ownership of the enterprise and shareholders do not directly participate in business activities, it is easy for the management to seek personal interests maximization and erode shareholder interests [10,12]. The core of the principal-agent theory is the "economic man" assumption, in which shareholders and executives of a company belong to the so-called "economic man" in social activities. Each role tends to take certain actions to seek benefits, avoid unfavorable factors, and maximize their own interests in economic activities. Generally speaking, corporate shareholders seek to increase the value of their invested capital, that is, to optimize the company's value, while executives seek high compensation and low risk, that is, to maximize personal value. Agency costs are caused by conflicts of interest between the two. The second assumption of this theory is that there is a problem of information asymmetry. Due to their information

advantages, agents often make decisions that are more favorable to themselves when conflicts of interest arise with shareholders, allowing them to maximize their advantages. This makes it difficult for principals to effectively supervise them [6,10].

The principal-agent problem caused by conflicts of interest and information asymmetry can easily lead to inefficient investment in enterprises, mainly manifested in two aspects: underinvestment and overinvestment. When a company faces a new investment project, managers are required to learn knowledge and skills related to the new project. Managers may be concerned about their high costs or the risk of damaging the company's reputation due to their failure, leading them to abandon the new project with a net present value greater than zero. This is considered underinvestment [10,12]. As the scale of enterprise operation expands, managers can obtain more resources and profits. In order to pursue profit maximization, managers will blindly expand their scale, pursue on-the-job consumption, and even invest in projects with negative net present value, which is overinvestment [10,12]. Another reason for overinvestment is that the company's past investment projects have generated a large amount of free cash flow. Ambitious managers, driven by political ambitions to establish a business empire, often refuse to distribute dividends to shareholders and instead invest in higher risk, potentially negative net present value investment projects [8]. Overinvestment may seem unreasonable, but it can help managers gain more non monetary returns, establish higher business credibility, and build stronger relationships [8]. In addition, due to relatively low salaries and excessive government intervention, executives of listed companies may overinvest. Due to executives' preference for a peaceful life, there may also be situations of insufficient investment, and even cases where corporate executives use investment as a cover to pave the way for personal interests [7].

The normative analysis of principal-agent theory emerged in the 1970s. Since the agency relationship between shareholders and agents of a company objectively exists, companies need to use their own effective cost management methods to reduce the agency costs generated by agency. Therefore, equity incentives have emerged in this exploration process, solving the problem of high agency costs brought about by the development of companies [7]. Granting partial equity to the entrusted company allows them to participate in the company's management decisions, by optimizing the income structure of the agent and combining it with the interests of the principal to reduce the inconsistency of utility between the two parties, promote the formation of a community of interests between executives and enterprise owners, and stimulate the agent's enthusiasm to pursue shareholder value maximization, alleviate agency conflicts, and improve enterprise performance [4,6].

3.2.2. Two-Factor Theory

The two factor theory, also known as the motivation hygiene theory, was proposed by American psychologist Herzberg in 1959. It refers to the factors that may cause employee dissatisfaction during the development process of a company, including motivational factors and hygiene factors. Motivational factors refer to factors that can satisfy and motivate people. Hygiene factors refer to factors that are prone to generate opinions and negative behaviors. Herzberg believes that these two factors are the main factors affecting employee performance. The content of hygiene factors includes company policies and management, supervision, salary, colleague relationships, and working conditions. These factors are all factors outside of work. If these factors are met, it can eliminate dissatisfaction and maintain the original work efficiency, but it cannot motivate people to behave more positively. Motivational factors are related to the job itself or its content, including achievements, appreciation, the meaning of the job itself, as well as challenges, sense of responsibility, promotion, and development. If these factors are met, they can create a great sense of motivation in people; If not satisfied, it will not generate dissatisfaction like hygiene factors.

The core of the two factor theory, as a classic motivation theory, is how to effectively motivate the management and employees of a company. According to the two factor theory, hygiene factors can only help managers maintain their current work status, while motivational factors can motivate managers to work more actively. Common motivational methods include promotion, development opportunities, etc. On the one hand, equity incentives can give managers more say and decision-making power; On the other hand, through a comprehensive evaluation system, the unity of management goals and corporate goals has been achieved [11].

Enterprises can develop compensation incentive plans for core talents based on this principle, among which the impact of wages and bonuses on employee emotions and work motivation is an important factor.

To achieve long-term incentive effects, an effective long-term incentive mechanism is needed. Equity incentives can stimulate employees' work motivation and improve corporate performance. The good or bad development of a company has a direct impact on employees' work attitude, efficiency, and creativity. In the increasingly fierce market competition, in order for enterprises to stand undefeated, they must form a unique core competitiveness. While cultivating talents, they must also retain them and establish and improve internal incentive systems. This is the expected goal that equity incentives aim to achieve.

4. Analysis of Equity Incentives Implemented by M Listed Company

4.1. Introduction to M Listed Company

M listed company is a multinational corporation established in 1968, which has subsidiaries, overseas institutions, and business units in many countries. The company was listed on the Shenzhen Stock Exchange in 2013 with a registered capital of 6.56 billion yuan and holds controlling stakes in multiple home appliance brands. After nearly 50 years of development, the company has achieved full industry chain coverage in the field of home appliances, while continuously developing towards intelligence and internationalization. M listed company attach great importance to technology research and development, product quality, and after-sales service quality, constantly seizing opportunities for product research and development innovation and structural upgrading. Due to closely following national policies and supply side structural reforms, the company's operating income has continued to grow and achieved stable growth. Despite the overall sluggish development of the home appliance industry in recent years, M listed company has maintained high performance growth. Looking back, the competition in the home appliance industry has always been extremely fierce. In the past 30 years of development, M listed company, born in a small town and starting from ordinary fan products, was able to develop into the industry leader. Its excellent corporate governance mechanism and bold and advanced incentive mechanism undoubtedly played a huge important role.

4.2. Implementation of Equity Incentives by M Listed Company

Since its listing on the Shenzhen Stock Exchange in 2013 through stock exchange absorption and merger, M listed company has implemented various equity incentive methods such as stock options, global partners, restricted stocks, and business partners. From 2013 to the end of 2018, five stock option incentive plans, four global partner shareholding plans, two restricted stock incentive plans, and one business partner shareholding plan have been implemented. M listed company has developed its own culture and characteristics on the path of equity incentives. Figure 1 shows the timeline and incentive methods of equity incentives for M listed company since its overall listing.

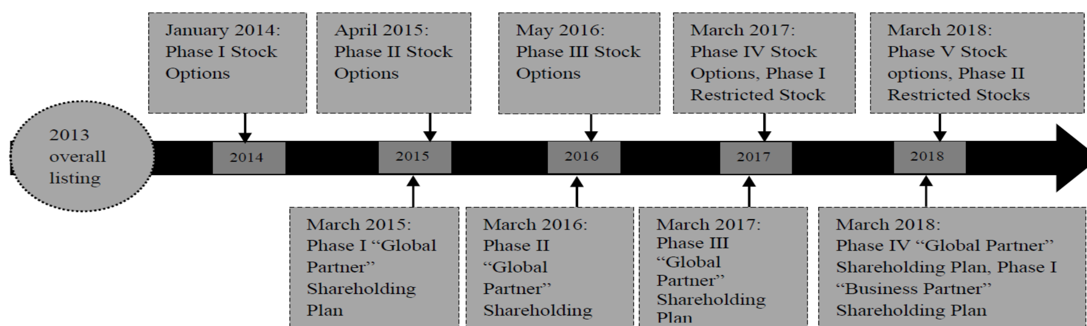

Figure 1. The timeline and incentive methods of equity incentives for M listed company since its overall listing.

4.2.1. The First Equity Incentive

M listed company approved the decision of "Stock Option Incentive Plan" at its first shareholders' meeting in 2014. Table 1 shows that this decision mainly adopts the method of using stock options to motivate internal

employees, but the stock options are derived from the targeted issuance of new shares by the company to the incentive targets. The new shares account for 2.41% of the total issued share capital of the enterprise, among which the first phase of incentive objects determined and assessed in the enterprise's equity incentive plan, and the exercise price of the granted stock options are 18.72 yuan/share. The number of stock options to be granted is 40.512 million, and the number of stocks is 40.602 million. Due to someone resigning before exercising their rights, the number of stock options issued was adjusted to 99.8625 million. The first equity incentive adopted a profit distribution method of 10 to 15 and 20 to 20. In 2014, the net profit reached 10.5 billion yuan, a year-on-year increase of 97.50% compared to the previous year. At the same time, the net profit generated after the first equity incentive increased and was not less than 15% of the net profit generated in 2013. The return on net assets also reached 29.49%, achieving the target of a return on net assets of not less than 20%. The higher the target, the stronger the profitability of the enterprise.

Table 1. Content of the first equity incentive.

incentive object	1 director, 1 board secretary, 287 R&D personnel, 189 manufacturing personnel, 110 marketing personnel, and 93 other business backbones, totaling 681 people.
incentive pattern	stock option
incentive scale	99.8625 million shares
exercise price	18.72 yuan/share
exercise conditions	The net profit growth rate in 2014 shall not be less than 15% compared to the previous year, and the return on equity shall not be less than 20%.
stock source	private placement

The data is sourced from Dongfang Wealth Network.

4.2.2. The Second Equity Incentive

According to Table 2, the recipients, quantity, and exercise price of the second stock option incentive plan of M listed company have all been adjusted. The grant date was 27 May 2015, and a total of 733 people received 83.79 million stock options, with the exercise price adjusted from 31.54 yuan/share to 30.54 yuan/share. The second phase of equity incentive also adopts a profit distribution method of 10 out of 10, divided into three exercise periods, with 2793 exercise shares in each exercise period. In 2015, the net profit was 12.71 billion yuan, with a net profit growth rate of 20.99% and a return on equity of 29.06%. The net profit growth rate in 2015 is not less than 15% of the previous year, and the return on equity is not less than 20%. The second equity incentive has been successfully completed.

Table 2. Content of the second equity incentive.

incentive object	1 board secretary, 112 R&D personnel, 274 manufacturing personnel, 125 marketing personnel, 47 information technology personnel, and 164 other business backbones, totaling 733 people.
incentive pattern	stock option
incentive scale	83.79 million shares
exercise price	30.54 yuan/share
exercise conditions	The net profit growth rate in 2015 shall not be less than 15% compared to the previous year, and the return on equity shall not be less than 20%.
stock source	private placement

The data is sourced from Dongfang Wealth Network.

M listed company has always been known for bold incentives, and since implementing the business unit system and hiring managers in 1997, it has adopted a profit sharing incentive model for managers. This incentive model is mainly based on cash incentives. Before the overall listing, some equity incentives were also provided through the listing platform, but the scope of incentives was not wide and the intensity was not significant. The salary structure of basic annual salary + performance bonus was relatively simple, and lacked long-term incentives. M listed company did not choose to directly increase the compensation of its core management team in the constantly changing market and increasingly fierce talent competition, but instead incentivized senior management through a "partner plan". The future development of M listed company has shifted from being a "home appliance enterprise" to a "technology group". This transformation will face multiple challenges such as improving internal operational capabilities, intensifying external competition, business model transformation, strategic adjustment, and technological progress. There is no clear pattern to follow, and the company cannot rely on the decisions of leaders to ensure its progress. Instead, more elite senior managers are needed to truly handle the company's business with the mindset of bosses. How to possess a boss mindset cannot rely solely on vision, mission, and values. It is necessary to have the concept of making senior managers truly bosses, and partners are born in such a context. In order to establish a long-term incentive mechanism for innovative core management team shareholding, promote and facilitate the transformation of the company's "manager" to "partner" identity, gather a group of era fighters and career leaders with common values, promote entrepreneurial spirit, promote the long-term stable development of the company, and achieve the unity of interests among all shareholders, a partner shareholding plan is launched, which is essentially a "performance stock". Through the arrangement of the "shareholding plan", the long-term interests of the company's core management team and shareholders are closely linked, and the participants of the shareholding plan are responsible for their own profits and losses, risks, and share responsibilities and values with shareholders, strengthening the common vision with the company. At the specific implementation level, it also reduces the company's cash incentive expenses. From 2015 to 2018, M listed company has launched four phases of partnership plans.

4.2.3. The Third Equity Incentive

From Table 3, we can see the third equity incentive situation of M listed company in 2016. A total of 929 company personnel were granted stock options, with 127.29 million stock options granted at an exercise price of 21.35 yuan per share. The third equity incentive adopts a profit distribution method of 10 to 5 and 20 to 20, divided into three exercise periods, with 4243 options in each exercise period. According to the 2016 financial statements, similar to the previous two equity incentives, both net profit and total operating revenue are on the rise. The net profit for 2016 was 14.68 billion yuan, an increase of 15.56% compared to the previous year, with a stable growth rate of over 15%. However, the return on equity was lower compared to 2014, at 26.88%.

Table 3. Content of the third equity incentive.

incentive object	347 R&D personnel, 220 manufacturing personnel, 149 marketing personnel, 55 information technology personnel, and 158 other business backbones, totaling 929 people.
incentive pattern	stock option
incentive scale	127.29 million shares
exercise price	21.35 yuan/share
exercise conditions	The net profit growth rate in 2016 shall not be less than 15% compared to the previous year, and the return on equity shall not be less than 20%.
stock source	private placement

The data is sourced from Dongfang Wealth Network.

4.2.4. The Fourth Equity Incentive

According to Table 4, the fourth equity incentive of M listed company in 2017 was granted to a total of

1463 managers and technical backbone personnel from various departments, with 98.274 million shares granted and an exercise price of 32.72 yuan per share. The fourth equity incentive adopts a profit distribution method of 10 out of 10. Compared with 2016, it continued to grow in 2017, with a net profit of 17.28 billion yuan and a growth rate of 2.14% compared to 2016. The annual average in 2016 was not less than 15%, and the return on net assets exceeded 20%.

Table 4. Content of the fourth equity incentive.

incentive object	576 R&D personnel, 320 manufacturing personnel, 118 quality personnel, and 458 other business backbones, totaling 1463 people.
incentive pattern	stock option
incentive scale	98.274 million shares
exercise price	32.72 yuan/share
exercise conditions	The net profit growth rate in 2017 shall not be less than 15% compared to the previous year, and the return on equity shall not be less than 20%.
stock source	private placement

The data is sourced from Dongfang Wealth Network.

M listed company first launched a restricted stock incentive plan in March 2017, mainly targeting middle and senior management. The stock source is the company's targeted issuance of new shares to incentive targets, and the funds are self raised by employees. Overall, it is a relatively standardized equity incentive plan among listed companies. Employees participating in restricted stock incentives need to be able to see the intensity and form of their annual returns. Although the stability is not as high as that of partner shareholding plans, it has a direct impact on the company's short and medium term performance. Restricted stocks can be offered to incentive recipients at half the market price, with strong incentives that require advance investment and stronger binding compared to options. In addition, restricted stocks are to some extent a supplement to the comprehensive incentive model, increasing the incentive strength for middle-level employees and making the equity incentive system of M listed company more perfect. From 2017 to 2018, M listed company has launched two restricted stock incentive plans.

4.2.5. The Fifth Equity Incentive

From Table 5, it can be seen that the fifth stock option incentive plan of M listed company intends to grant 62.08 million stock options to incentive objects, with 54.42 million options granted to 1328 incentive objects for the first time, accounting for 88.72% of the total, and 7 million options reserved, accounting for 11.28% of the total. The exercise price is 56.34 yuan/share. This incentive system adopts a profit distribution method of 10 out of 12, and M listed company also achieved a net profit of over 20 billion yuan in 2018, reaching 20.23 billion yuan, with a stable year-on-year growth rate of around 17%, and a stable return on equity of around 25%.

Table 5. Content of the fifth equity incentive.

incentive object	599 R&D personnel, 185 manufacturing personnel, 54 quality personnel, and 490 other business backbones, totaling 1328 people.
incentive pattern	stock option
incentive scale	54.42 million shares
exercise price	56.34 yuan/share
exercise conditions	The net profit growth rate in 2018 shall not be less than 15% compared to the previous year, and the return on equity shall not be less than 20%.
stock source	private placement

The data is sourced from Dongfang Wealth Network.

5. The Impact of Implementing Equity Incentives on Investment Behavior of M Listed Company

The impact of equity incentives implemented by M listed company on investment behavior is mainly analyzed through two indicators: investment income and return on equity. To facilitate readers' understanding of the meanings of these two indicators, the author specifically lists their meanings in Table 6:

Table 6. Meaning of indicators.

investment income	It refers to the net income obtained by enterprises or individuals from external investment minus the losses incurred during the investment process. Investment return is an important indicator for evaluating the profitability of an investment portfolio or individual investment, reflecting the returns that investors receive from their investments.
return on equity	It is an important indicator for measuring a company's profitability, representing the ratio of net profit to average shareholder equity. The calculation formula is: Return on Equity = Net Profit/Average Shareholders' Equity × 100%. The return on equity reflects a company's ability to use its own capital to generate profits. A higher return on equity usually means that a company has strong profitability and efficient use of funds, which can bring more returns to shareholders. Therefore, it is an important basis for investors to judge whether a company is worth investing in.

5.1. The Impact of the First and Second Equity Incentives on Investment Behavior

The first equity incentive was implemented in 2014, during which the investment return significantly increased, bringing certain economic benefits to the enterprise and resulting in a rapid increase in the return on equity. This indicates that the investment returns are increasing, and the total profit is also increasing. The second equity incentive was in 2015. Although there was a significant increase in investment returns, there was a clear downward trend in the return on equity. The economic benefits brought by investment did not show a clear upward trend, and there may still be a risk of decline. Please refer to Figure 2 for details. This to some extent reflects that the incentive system implemented by M listed company has not kept up with the times, and has not summarized the incentive system within a certain period of time. It has not made timely adjustments to possible problems. In other words, the incentive system implemented in this process is only a waste of effort and has not brought certain economic benefits to the enterprise. This is because the management of enterprises pursues short-term returns and chooses investment projects that quickly achieve equity goals, often ignoring the benefits of long-term investment projects. In addition, the scope of incentive targets is too small, leading to the departure of core and middle-level personnel. This is the result of prioritizing short-term gains and a narrow range of incentives. Therefore, enterprises can leverage the good momentum of development to mobilize more outstanding internal employees to participate in enterprise co construction, co creation, sharing, and sharing, and integrate the advantages of upstream and downstream parties to build their own industrial chain, in order to occupy a larger market share in industry segments. Another reason is that the performance indicators are too loose and the exercise conditions are not very strict. Equity incentives are designed to create appropriate conditions for a company to conduct business activities. When these conditions are met, shareholders, managers, and core technical personnel can benefit from them. However, this incentive is mainly aimed at employees who have made contributions to the production and operation management of the company and have outstanding performance. Performance is closely related to the application of equity incentives in listed companies, and only when the company meets performance requirements, shareholders and relevant managers of the enterprise have the right to receive compensation. Therefore, the profitability of existing incentive plans depends on whether the incentivized individuals have the ability to meet the conditions for exercising their rights.

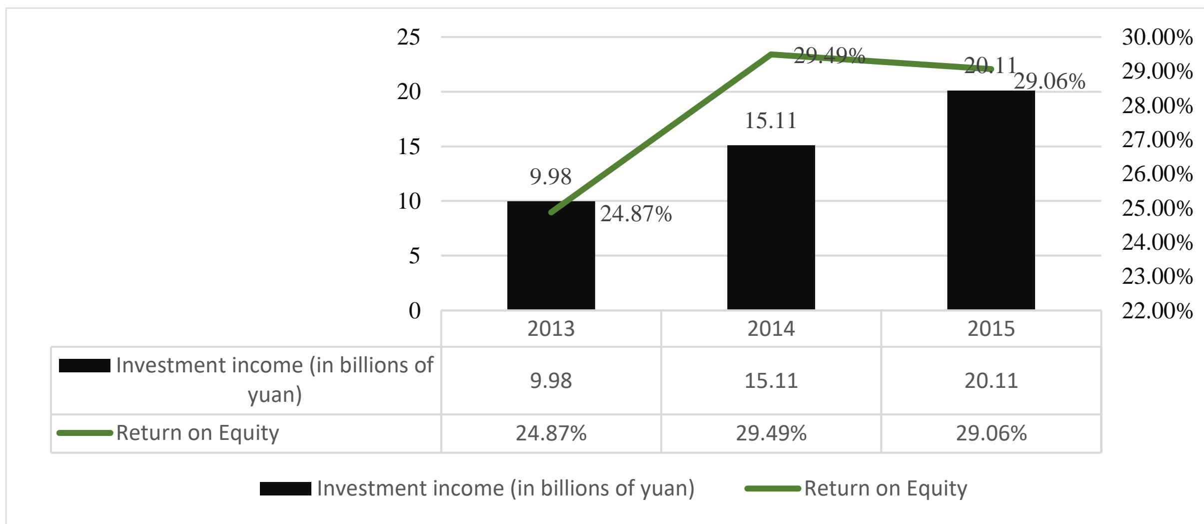

Figure 2. Changes in investment returns of the first and second equity incentives.

5.2. The Impact of the Third and Fourth Equity Incentives on Investment Behavior

From the previous table, it can be seen that from the first to the fourth equity incentives, except for the significant increase in investment returns and net asset returns from the first equity incentive, there was a clear downward trend from the second to the fourth, and then a stable downward trend. Please refer to Figure 3 for details. This indicates that the equity incentive is not suitable for the current M listed company and leads to inefficient investment of equity incentives. However, what is relatively good is that there was a significant rebound in investment returns in 2017, and the equity incentive system was adjusted and achieved good investment returns.

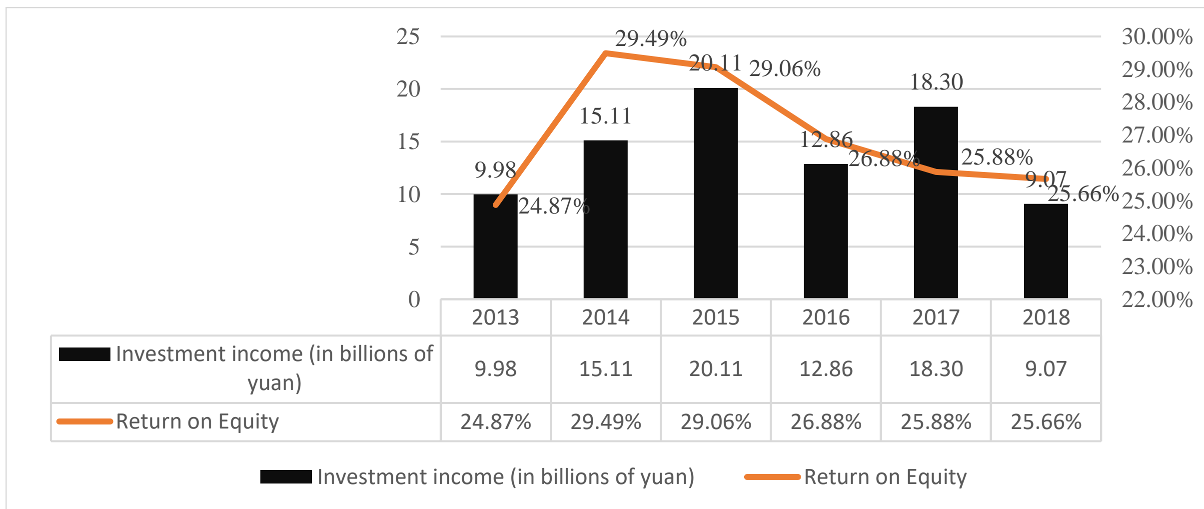

Figure 3. Changes in investment returns of the third and fourth equity incentives.

5.3. The Impact of the Fifth Equity Incentive on Investment Behavior

From the previous table, it can be seen that the fifth equity incentive in 2018 did not achieve much success, and the investment return significantly decreased, indicating that the company did not make significant investments that year, but still engaged in investment behavior and ensured the stability of the return on net assets. Compared with the significant decline and rise in previous times, the equity incentive this time has achieved a relatively stable equity incentive method, and has also correctly guided the contradictions between shareholders and managers of the enterprise. In the long-term persistence, results have also been seen. After improving the plan and making reasonable investments, the maximization of benefits can be achieved.

6. Optimization Suggestions for Equity Incentives of M Listed Company

6.1. Optimizing the Model of Equity Incentives

Companies should choose incentive methods that are suitable for their own development based on their own development status. There is no unified incentive model that can be applied to all companies, as there are differences in the actual situation of enterprises. For example, high-tech enterprises with limited financial strength in the early stages of establishment are suitable for using equity incentives to attract talent. Moreover, the effects that incentive models can produce can vary greatly, and the performance of the same incentive model can also differ at different stages of development in the same enterprise. At the same time, regular tracking of the company's financial data, attention to the effectiveness of equity incentives, and timely adjustments and corrections can effectively increase effective investment. In addition to using common restricted stocks and stock options, it is also necessary to continuously enrich their execution methods, adopt more diverse incentive methods, enhance their effectiveness, and maximize their utility. If the enterprise has a large scale, good reputation, a certain leadership role in the industry, and accurate performance forecasts with relatively small fluctuations, it is more suitable to use stock options; In contrast, companies with small scale, fast development speed, and good growth potential are more suitable for the form of restricted stocks. Finally, it should be recognized that equity incentives are not omnipotent. The value of shares granted to managers through equity incentives depends on the overall economic environment and industry prospects. Therefore, incentives for managers cannot rely solely on equity incentives.

6.2. Accurately Identify the Object of Motivation

In equity incentive plans, the incentive targets are the core, including the core personnel and key technical personnel of the enterprise. The size of a position does not necessarily indicate an individual's talent, therefore, companies should focus on key talents, not just management personnel. Through equity incentive schemes, incentivized personnel can become more diligent and responsible in their work, carefully consider various investment decisions, thereby reducing overinvestment in the enterprise. At the same time, it can ensure that the enterprise's business objectives are achieved and receive corresponding rewards. Like M listed company, through multiple incentive plans, it has established an equity structure where the interests of the management and all shareholders are aligned. The incentive targets not only include core executives such as the president and vice president, unit or department heads, but also important professional business backbones. From the functional distribution of incentive targets, it can be seen that R&D personnel have always accounted for a relatively large proportion, followed by manufacturing and quality personnel, while the proportion of marketing and information technology personnel is on a downward trend and is no longer disclosed separately. This is in line with the strategic transformation theme of "product leadership, efficiency driven, and global operation" officially implemented by M listed company throughout the group since 2012, promoting the company's transformation from marketing driven to innovation driven. After gradually addressing stability and reliability, technological leadership has become a new goal for M listed company.

6.3. Develop Appropriate Performance Indicators

Performance indicators reflect the effectiveness of equity incentives for employees. If the indicator is set too high, it will dampen the motivation of the incentive object and cause negative effects; If it is too low, it will squeeze the development space of the enterprise. Therefore, the formulation of performance indicators should be based on the actual development situation of the enterprise and linked to its future development strategy, paying more attention to the true value of the enterprise. Set dual assessment indicators for both individuals and enterprises, fully considering possible agency problems. Employees not only need to work hard to meet individual performance evaluations, but also need to constantly pay attention to how to help the enterprise improve profitability during the business process, motivate employees to continuously realize human capital value, and increase efficiency for the enterprise. In addition, performance indicators should also avoid a single form as much as possible. Enterprises can broaden the selection range of indicators other than finance, such as

non-financial indicators, dynamic indicators, and static indicators combined. For example, in the executive equity incentive schemes implemented by listed companies in China, most performance indicators are based on accounting performance or market performance, which cannot control the impact of other uncontrollable factors on company performance. Therefore, for the performance goals of managers, we should not only focus on their absolute performance, but also objectively evaluate the relationship between the level of responsibility of executives and company performance. For M listed company, the assessment of core executives is based on the overall return on equity; The indicators for middle and senior management are the same as those for ordinary employees, which assess the net profit of the group and also include assessments for the unit and individuals. In addition, performance indicators should not place too much emphasis on short-term benefits, and a long-term performance evaluation system should be developed.

6.4. Extended Effect of Continuous Equity Incentives

In the case of a relatively short term for equity incentives, different employees have varying degrees of control over whether various aspects of the enterprise can meet the assessment standards. Correspondingly, employees are more likely to use short-term operations to improve various aspects of the enterprise in order to achieve the assessment indicators. This obviously goes against the long-term goal of the enterprise and violates the original intention of implementing equity incentives to help the enterprise achieve sustainable development. Continuously implementing equity incentives is not only a confidence in the company's own strength, but also demonstrates a firm determination for future development. By providing continuous equity incentives to employees, companies can maintain team stability for a long period of time while continuing to attract and cultivate outstanding talents. By extending the period for employees to receive benefits and continuously expanding the coverage of incentives, we can better mobilize employees' work enthusiasm, improve the efficiency of value creation, and enable them to realize their own value while meeting their material needs. Enterprises can improve new incentive plans in a timely manner based on the actual situation in the early stage, so that the performance of the enterprise can maintain long-term stable growth.

7. Conclusions, Limitations, and Implications for the Industry

Although the equity incentives offered by M listed company did not result in a significant increase in its investment volume, it was able to fulfill the planned exercise conditions each time. Long term exercise resulted in a stable development of future returns. Under the incentive mechanism of equity incentives, the interests of shareholders, management personnel, and core employees of M listed company are well tied together. Therefore, all departments, whether shareholders or employees, must always consider the future development and long-term interests of the enterprise when making decisions, thereby improving their loyalty, enthusiasm, and sense of responsibility to the enterprise through equity incentives. Therefore, when choosing and formulating equity incentive plans, enterprises should choose an incentive mechanism that is suitable for themselves, which will be more conducive to improving the investment efficiency and core competitiveness of the enterprise.

This study selected M listed company in the home appliance industry as a research case to analyze the impact of its five implementation of equity incentives on investment behavior. Although M listed company is a representative enterprise in China's home appliance industry, this study still has some limitations. The first limitation is that the research object is only focused on M listed company, and although its equity incentive experience has certain reference value for other enterprises, it must be analyzed specifically in conjunction with the company's own situation. The second limitation is that there are various ways of equity incentives, and the effects of incentives are also different. However, this study did not explore the impact of equity incentive methods on investment. The third limitation is that this study did not adopt a qualitative research approach. Qualitative research may make the study more in-depth and provide more specific answers to the questions of "what" and "why". It is hoped that future scholars can make up for this limitation.

Despite the limitations mentioned above, the conclusions of this study can still provide reference and guidance for companies in the industry when designing and implementing equity incentive mechanisms.

First, adopt various methods to improve the equity incentive plan. Enterprises should improve and

standardize their equity incentive plans based on their actual situation, in order to maximize the role of equity incentives and guide managers and employees to make more effective and efficient investments [11,13,19–21]. When designing equity incentive plans, enterprises need to consider multiple factors and flexibly develop plans based on the abilities, experience, and years of experience of managers and employees, and innovate equity incentive measures in a timely manner. In addition, the market situation is unpredictable, and enterprises should not only consider the actual internal situation, but also pay timely attention to changes in the external environment [22]. At present, the main methods of equity incentives include restricted stocks and equity options, which have certain differences. Enterprises should choose the appropriate incentive method according to their own situation [23]. If the enterprise is large in scale, has a high reputation, is in a leading position in the industry, and has accurate and less volatile performance forecasts, then choosing equity options as an incentive method is relatively more suitable. If the scale of the enterprise is small and the development speed is fast, the incentive method of choosing restricted stocks is relatively more suitable [24]. In addition to using common restricted stocks, equity options, and other equity incentives, it is also necessary to continuously enrich the practical measures of equity incentives, adopt diversified incentive combinations, and maximize the effectiveness of equity incentives [13]. Attention should also be paid to the details of equity incentive exercise. Based on the continuous implementation of the plan, taking into account the characteristics of the development stage and objective influencing factors such as policy changes, appropriate adjustments can be made to the specific implementation to avoid the situation where “incentives” become “benefits”, so that the management level of the enterprise can be truly reflected, and equity incentives can truly promote the development of the enterprise. Enterprises in different industries have different characteristics. When designing equity incentives, it is necessary to consider industry characteristics and avoid blindly copying them [25–27].

Second, more consideration should be given to the value of the enterprise in designing performance evaluations. Performance indicators reflect the effectiveness of equity incentives for employees. If the indicator is set too high, it will dampen the motivation of the incentive object and cause negative effects; If it is too low, it will squeeze the development space of the enterprise [28]. Therefore, the formulation of performance indicators should be based on the actual development situation of the enterprise and linked to its future development strategy, paying more attention to the true value of the enterprise [29]. Performance evaluation indicators need to consider both financial and non-financial indicators. In terms of financial indicators, net profit, operating income, price to earnings ratio, price to book ratio, etc. can be considered; Non financial indicators can help narrow the space for executives to manipulate equity incentive plans, and also enable executives to have a long-term vision, thereby promoting the stable development of the enterprise in the future. At the same time, performance evaluation indicators should not only emphasize short-term benefits, but also establish long-term performance evaluation indicators to improve employees’ short-sighted behavior, enhance investment effectiveness and efficiency, promote sustainable development of enterprises, and improve long-term performance of enterprises [30]. In addition, according to statistics, the performance conditions in the senior management equity incentive plans currently implemented by listed companies in China are mostly based on accounting performance or market performance, which may not be able to control the impact of other uncontrollable factors on the company’s performance. Therefore, performance indicators should not be solely based on absolute performance as the sole criterion, but should objectively evaluate the relationship between the level of responsibility of senior managers and corporate performance [31].

Third, strengthen the supervision within and outside the enterprise. Existing research has shown that some corporate managers may use their authority to intervene in the content of executive stock incentives, designing executive stock incentive plans in a direction that is beneficial to themselves, such as changing the exercise or unlocking conditions in the incentive plan and intervening in the rules for granting shares [10,32]. This behavior greatly reduces the effectiveness of executive equity incentives, goes against the original intention of executive equity incentives, and has a negative impact on the growth and development of the enterprise. Although giving senior managers the ability to link their interests with the collective interests of shareholders and the company, as their shareholding ratio increases, senior managers also have greater power to control the development of the company and seek personal benefits. Therefore, enterprises need to establish active and effective internal and

external supervision mechanisms, regularly track financial data, pay attention to the effectiveness of equity incentive system implementation at any time, adjust and correct problems in a timely manner, and truly expand effective investment. Only through the mutual efforts of internal and external supervision mechanisms can the self-interest behavior of the ultimate controller and senior managers be effectively constrained. How to strengthen internal and external supervision? Internally, it is necessary to maintain the independence of the supervisory board and the board of directors, especially independent directors, clarify the division of their respective powers, strengthen comprehensive tracking and management of the entire investment activity cycle, and eliminate loopholes such as embezzlement. At the same time, establish audit standards to prevent the abuse of executive equity incentive projects, conduct reasonable evaluations of executive equity incentives, comply with laws, regulations, and procedures, ensure that shareholder interests are not harmed, and guard against managers' behavior of damaging corporate value due to their own interests [4]; Externally, relevant regulatory departments should improve the information disclosure system, formulate strict supervision policies, and increase supervision efforts. The report issued by certified public accountants can theoretically have a certain restraining effect on inefficient investment of enterprises in order to increase their attention. As one of the external supervisory agencies, accounting firms should pay attention to their own independence construction, create fair and impartial information communication channels, which can provide decision support for investors and strive for more investment opportunities for truly valuable enterprises [3,33–36].

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The data that support the findings of this study are available from the first author upon reasonable request.

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Conflicts of Interest

The authors report there are no competing interests to declare.

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