The Role of Ownership Structure and Venture Capital Intervention in Enterprise Performance

Ruipeng Gu

International School of Business & Finance, Sun Yat-sen University, Zhuhai 519082, China

Abstract. This paper selects the 2010-2017 Shenzhen Growth Enterprise Market listed companies as a sample, and uses empirical analysis methods to study the relationship between ownership structure, venture capital intervention and corporate performance. The research results show that: the concentration of ownership and corporate performance. There is a significant negative correlation between the ownership balance and corporate performance; there is a significant positive correlation between venture capital intervention and corporate performance; venture capital intervention can significantly weaken the concentration of ownership and corporate performance. The relationship between venture capital investment can significantly enhance the relationship between the degree of ownership checks and balances and corporate performance.

Keywords: Ownership Structure; Venture Capital Intervention; Corporate Performance.

1. Introduction

With the in-depth development of economic globalization, the influencing factors of corporate performance have always attracted the attention to the academic community . Current studies have shown that the ownership structure, which is an important component of corporate governance structure, is an important factor affecting corporate performance. Corporate governance efficiency, financial decisions, agency costs, etc. indirectly or directly affect corporate performance. At this stage , although many scholars have explored the relationship between ownership structure and corporate performance from the perspective of ownership concentration and ownership checks and balances , they have never reached a consensus and cannot meet the requirements of the current era . Therefore, the relationship between the two is still further studying. In recent years, domestic ventured capital has entered the track of rapid development, and the impact on venture capital intervention in corporate performance has begun to attract the attention on many scholars, but so far there has not been a unified conclusion. Since high growth , high returns and high risks are important characteristics of my country's Growth Enterprise Market (GEM) listed companies , the phenomenon of venture capital intervention is more common to this type of companies [1]. Therefore, this article combines the empirical evidence of listed companies on the GEM to study the relationship between ownership structure, venture capital intervention and corporate performance and in-depth exploration of the regulatory role of venture capital intervention in the relationship between ownership structure and corporate performance, which improve corporate performance to provide some reference.

2. Theoretical Analysis and Research Hypothesis

When analyzing the relationship between ownership structure and corporate performance , we can start from the following two perspectives , namely , the degree of ownership concentration and the degree of ownership balances / balanced . Based on the second type of agency problem, it can be seen that there is a certain conflict of interest in large shareholders and small and medium shareholders. In the absence of effective supervision, the former can easily seek personal gain by harming the interests in other shareholders [2]. It will affect the normal production and operation of the company. Weakening its short-term profitability and long-term development capabilities will lead to a decline in corporate efficiency, and even worse, will cause the company to face the risk of bankruptcy and bankruptcy. Zhang Wanli believes that when the company's ownership is more concentrated in the hands of major shareholders, other shareholders will passively implement their supervision over the behavior of major shareholders out of consideration of their supervisory capabilities, costs and

benefits. At this time, major shareholders will be Having an absolute say in the process of making major economic decision-making, and it is very easy to have one-to-one questions. In order to seek personal gains, large shareholders will intervene in management decision-making, and the latter is entrusted by large shareholders, so they rarely adopt the suggestions of small and medium shareholders. Most of them make decisions and strategies in accordance with the ideas of large shareholders, which provides a way for large shareholders to hollow out corporate behavior. Taking the opportunity to disrupt the normal operation of the enterprise, it can be seen that the concentration of ownership will have a negative impact on the performance of the enterprise. Under the balance of ownership structure, the control of the company is shared by multiple shareholders. Out of the pursuit of dividends and under the guidance of the sense of ownership, multiple shareholders with control will actively take actions to supervise the major shareholders and management. This not only increases the risk of being discovered for opportunistic behaviors of major shareholders and corporate management, but also increases the cost of obtaining improper benefits. Therefore, to a certain extent, it can restrain the improper behavior of major shareholders and management, and provide for the growth of corporate performance. Guarantee is conducive to the realization of stable and sustainable development of enterprises [3].

3. Research Design

3.1 Sample Selection and Data Sources

This paper selects the initial research sample as the listed companies on the Shenzhen Growth Enterprise Market from 2011 to 2018. On this basis, the following companies are eliminated: (1) companies with missing research variables; (2) financial companies, and finally 816 valid samples are obtained. In terms of data sources, the data related to venture capital involvement are mainly derived from the company's annual report and prospectus, and other data is mainly obtained from the cninfo Information Network and the CSMAR database. Data statistics and analysis work mainly use Excel2013, SPSS19.0 software. considering that the research conclusions will be disturbed by outliers, implement tailing processing for continuous variables at the 1% quantile.

3.2 Variable Definition

3.2.1 Corporate Performance

Enterprise performance can be analyzed from both long-term performance and short-term performance. Long-term performance is measured by the TobinQ value. The calculation formula is shown in Formula 1. The higher the calculated value, the better the long-term performance of the sample enterprise; the short-term performance is the total The return on assets is measured, which is defined as the ratio of net profit to average total assets. The higher the index value, the better the short-term performance of the sample companies[4].

$$\text{TobinQ} = (\text{tradable stock market value} + \text{non-tradable shares} \times \text{net assets per share-net debt value}) / \text{book value of total assets}$$
 Formula 1

3.2.2 Ownership Structure

This paper draws on the research results of Zhang Yujuan and Tang Xiangxi , and uses two indicators of ownership concentration and ownership checks and balances to measure the ownership structure. Among them: the former is measured by the proportion of the largest shareholder's shareholding. The larger the proportion, the sample enterprise Conversely, the ratio of the shareholding ratio of the second to tenth largest shareholder to the ratio of the shareholding ratio of the largest shareholder is measured by the ratio of the shareholding ratio of the second to tenth largest shareholder. The higher the degree of checks and balances, on the contrary, the lower it is[5].

3.2.3 Venture Capital Intervention

This paper draws on the research results of Li Yunhe and Li Wen and sets the risk investment intervention as a dummy variable. If the sample company has a risk investment intervention background, the value is 1; otherwise, the value is 0. This article mainly uses the company's annual report and prospectus to determine whether the sample companies have a background of risk investment intervention, in detail: if there is risk investment. If words such as venture capital are included in the shareholder names of a sample company, it can be considered that the sample company has a background of risk investment intervention; in addition, if the shareholder name of the sample company includes investment company, technology investment, high-tech industry investment, high-tech stock investment, Technology investment, innovation investment, high-tech investment, high-tech investment, etc., you need to search the main business of this shareholder on the Internet. If it is found that venture capital and venture capital belong to the main business scope of the shareholder, then it can be regarded as a sample There is a background of venture capital involvement in enterprises [6].

3.3 Model Construction

In order to verify the accuracy of the hypothesis mentioned above, the following model is constructed:

$$QK = \alpha_0 + \alpha_1 HERF + \alpha_2 HERN + \alpha_3 Growth + \alpha_4 Dnd + \alpha_5 Size + \alpha_6 cef + \alpha_7 lev + \sum Industry + \sum Year + \varepsilon$$

4. Empirical Analysis

4.1 Descriptive Statistics

According to Table 1, the maximum, minimum, and standard deviation of long-term performance TobinQ are 10.245, 0.113, and 0.716, respectively, indicating that there is a large gap in the long-term performance of the sample companies. The maximum, minimum, and standard deviation of the short-term performance ROA are respectively The values are 0.362, 0.200 and 0.153, indicating that the sample companies have a certain gap in short-term performance, but compared with long-term performance, the gap is relatively small; the minimum value of the concentration of ownership HERF is 0.172, the maximum value is 0.516, and the standard deviation It is 0.363, indicating that there is a large gap in the shareholding ratio of the largest shareholder of the sample companies; the minimum value of the ownership balance is 0.373, the maximum value is 2.184, and the standard deviation is 0.694. It is 1.265, indicating that the overall shareholder balance of the sample companies is 0.473, indicating that venture capital intervention is more common among GEM companies [7].

Table 1. Descriptive statistics

variable	Max	Minimum	Mean	Standard deviation
TobinQ	9.455	0.153	4.804	0.516
ROA	0.562	-0.215	0.1735	0.172
HERF	0.681	0.172	0.4265	0.473
HERN	2.178	0.473	1.3255	0.584
Vci	2	0.2	1.1	0.345
Growth	2.259	-0.216	1.0215	0.358
Dnd	0.646	0.313	0.4795	0.406
Size	25.135	12.138	18.6365	3.582
fef	0.757	-0.257	0.25	0.287
lev	0.715	0.115	0.415	0.458

4.2 Correlation Analysis

According to Table 2, the correlation coefficient between the ownership concentration degree HERF and the long-term performance TobinQ is -0.312, and the correlation coefficient between the short-term performance ROA and the short-term performance ROA is -0.325, both of which are significant at the 1% level. Short-term performance has a negative impact. It can be seen that there is a significant negative correlation between ownership concentration and corporate performance, which is consistent with the assumptions in this article. The correlation coefficient between the ownership balance degree HERN and the long-term performance TobinQ is 0.296, which is less than the short-term performance ROA [8]. The correlation coefficient between the two is 0.264, which is significant at the 1% level, indicating that the degree of ownership checks and balances have a positive effect on the long-term and short-term performance of the company. It can be seen that there is a significant positive correlation between the degree of ownership checks and balances and corporate performance, which is consistent with the assumptions in this article. The correlation coefficient between Vci of venture capital intervention and long-term performance TobinQ is 0.274, and the correlation coefficient between Vci and short-term performance ROA is 0.279, both of which are significant at the 1% level. Both the long-term and short-term performance of the enterprise have a positive effect. It can be seen that there is a significant positive correlation between venture capital intervention and enterprise performance, which is consistent with the hypothesis of this article.

Table 2. Correlation analysis of research variables

variable	TobinQ	ROA	HERF	HERN	Vci	Growth	Dnd	Size	fef	lev
Tobin()	1									
ROA	0.298***									
HERF	-0.312***	-0.325***								
HERN	0.296**	0.264***	0.267***	1						
Vci	0.274***	0.279***	0.252***	0.281***						
Growth	0.269**	0.241*	-0.226***	0.187**	0.205***					
Dnd	0.157**	0.168***	-0.209**	0.172***	0.138*	0.123***				
Size	0.216*	0.223**	-0.129***	0.142*	0.197**	0.218**	0.179***			
fef	0.152***	0.164***	-0.076*	0.159**	0.186***	0.171***	0.192**	0.124***		
lev	-0.173*	-0.187*	0.145***	-0.153***	-0.104**	-0.162***	-0.094*	-0.236**	-0.202***	

4.3 Regression Analysis of Risk Input and Corporate Performance

According to Table 3, the regression coefficient between venture capital intervention Vci and long-term performance TobinQ is 0.513, and the regression coefficient between short-term performance ROA is 0.521, and both are significant at the 1% level. There is a significant positive correlation, which validates the results of the Person correlation analysis above and Hypothesis 2. The intervention of venture capital can play an effective supervisory auxiliary role. It can not only strengthen the supervision of enterprises and improve the effectiveness of enterprise decision-making by participating in major corporate decisions, assigning directors and supervisors, and designing contracts that include rewards and punishments, but also can provide management consulting and advice for enterprises. Non-financial value-added services such as marketing and strategy formulation play a positive role in promoting the improvement of corporate performance. In addition, the intervention of venture capital can alleviate the financing constraints of enterprises and reduce the financial pressure of enterprises. At the same time, it is conducive to the introduction of high-end technical talents, improving R&D and experimental conditions. It can promote the improvement of

enterprise innovation R&D investment and efficiency, and help improve the market competitiveness of enterprises. The improvement of enterprise economic efficiency and long-term development capabilities.

Table 3. Regression analysis results of risk investment and corporate performance

variable	Business Performance	
	TobinQ	ROA
Con_s	(2.714)	(2.722)
Vci	0.513*** (2.601)	0.521*** (2.614)
Growth	(2.542)	0.432*** (2.549)
Dnd	0.401*** (2.513)	0.415*** (2.526)
Size	0.395** (2.509)	0.397** (2.512)
fcf	(2.476)	(2.481)
lev	-0.383** (-2.482)	-0.392** (-2.498)
IND		
YEAR		
N	816	
F	47.98***	48.61***
Adj_R2	0.396	0.402

5. Research Conclusions and Enlightenment

Based on the empirical evidence of listed companies on the GEM, this paper studies the relationship between ownership structure, venture capital intervention and corporate performance, and finally draws the following research conclusions: there is a significant negative correlation between ownership concentration and corporate performance; ownership balance There is a significant positive correlation with corporate performance; there is a significant positive correlation between venture capital intervention and corporate performance; venture capital intervention can significantly weaken the relationship between ownership concentration and corporate performance; venture capital intervention can significantly enhance The relationship between the degree of ownership checks and balances and corporate performance. Combining the above conclusions, we can see that if you want to improve the performance of a company, you can start from two aspects: first, optimize the ownership structure, formulate a sound internal check and balance mechanism, reduce the control of major shareholders, and improve China's legal system for the protection of the interests of small and medium shareholders; second; , Introduce venture capital to actively participate in business management, specifically through the improvement of venture capital related laws and industry regulatory policies to form a healthy investment and financing market, and introduce tax incentives, fiscal subsidies, low interest payments and other policies to support the venture capital industry , To broaden its sources of funds, so that it has no worries to actively invest in the daily operation and management of the enterprise. At the same time, in order to ensure the performance of its supervision and management, venture capital institutions should also be encouraged to send directors to the enterprise.

References

- [1] Ownership concentration, managerial compensation portfolio and independent innovation investment[J]. Liu Zhen, Liu Bo. Scientific Research Management. 2018(12).
- [2] Ownership Structure, Executive Incentives and Enterprise Innovation--Based on the data of A-share listed companies with different property rights[J]. Zhang Yujuan, Tang Xiangxi. Journal of Shanxi University of Finance and Economics. 2018(09).
- [3] How can technological capital and human capital improve company performance? --A multi-perspective analysis from a large sample [J]. Xu Xiumei. Scientific Research Management. 2017(05).
- [4] Venture Capital and Strategic Emerging Industry Enterprise Capital Allocation Efficiency--An Empirical Study Based on Sample Companies of Strategic Emerging Index on the Growth Enterprise Market [J]. Li Yunhe, Li Wen. Securities Market Herald. 2016(03).
- [5] The relationship between ownership concentration and company performance: based on a sample of listed companies on the GEM from 2010 to 2014 [J]. Zhang Wanli. China Market. 2015(42).
- [6] Research on the Relationship between Venture Capital Intervention, R&D Investment and Innovation Performance--Based on the Empirical Evidence from the Growth Enterprise.
- [7] Market [J]. Yang Bao, Yuan Tianrong. Science and Technology Progress and Countermeasures. 2013(13).
- [8] Research on Venture Capital and Enterprise Value Creation. Yu Bo. Zhejiang University. 2014.
- [9] Research on the Relationship between Venture Capital Intervention, R&D Investment and Innovation Performance--Based on Empirical Evidence from the Growth Enterprise Market. Yang Bao, Yuan Tianrong. Science and Technology Progress and Countermeasures. 2013.
- [10] Ownership Concentration, Manager Salary Portfolio and Independent Innovation Investment. Liu Zhen, Liu Bo. Scientific Research Management. 2018.