

# Relationship between Corporate Governance and Organizational Structure under the Background of Intelligence

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## ABSTRACT

In the development process of modern enterprises, corporate governance provides a corresponding institutional framework system for them. Enterprise strategy refers to the various strategic deployments formulated according to the connection between various parts in order to achieve enterprise goals in this institutional framework. The organizational structure is formulated according to the corporate strategy and serves the corporate strategic goals. In recent years, scholars have continued to deepen research on corporate governance and organizational structure. This paper takes the era of intelligence as the background and strategy as an intermediary to analyze the relationship between corporate governance and organizational structure, aiming to promote enterprises to improve management and operation efficiency, as well as improve core competitiveness.

**Keywords:** Intelligence, Corporate Governance, organizational structure

## 1. INTRODUCTION

Under the background of the current era, corporate governance at the macro level is indispensable for companies to achieve stable and long-term development. Corporate governance oversees the achievement of corporate goals by establishing a certain organizational structure. Corporate governance has established a benchmark for the company to regulate the enterprise. Enterprises need to establish a suitable organizational structure according to their own actual situation, development goals, and corporate governance situation, and maximize their institutional advantages. Corporate governance is the source of a company's operations, and its organizational structure is at the executive level. Corporate governance affects the organizational structure of the company by affecting the strategic decision-making behavior of the company.

With the advent of the intelligent age, the social environment is complex and changeable, which is a great challenge for the development of enterprises. Technological innovation has brought about changes in corporate governance. The emergence of new technologies has become a new corporate governance tool, and has also changed the traditional corporate governance model, thus affecting the formulation of

corporate strategies to a certain extent. At the same time, the traditional organizational structure has been unable to adapt to the complex market environment, and enterprises must adjust the organizational structure that matches the strategy. Only by keeping the company's organizational structure updated with each passing day can the company maintain a certain position in the competition in the new era. The era of intelligence also puts forward new requirements for the adjustment and optimization of the organizational structure of enterprises.

## 2. LITERATURE REVIEW

### 2.1. Corporate Governance and Strategy

Most literature studies and analyzes the relationship and synergy between corporate governance and corporate strategy, and believes that corporate governance must match corporate strategy to ensure that corporate strategic management can be within the scope permitted by existing corporate governance regulations, form a stable and harmonious economic benefit balance system, ensure the mutual integration between corporate governance and corporate strategic management, and further enhance the company's competitive advantage in the industry<sup>[1]</sup>.

### 2.1.1. Shareholding Structure and Strategy

Diversification strategy is the research direction of most scholars. It is precisely because of the differences in the preferences of different types of shareholders, the strategic goals adopted will also have great differences, and the implementation of diversification strategies by different shareholders is also different<sup>[2]</sup>. Because of the current wave of economic globalization, the complex and ever-changing environment has put forward higher requirements for corporate governance and strategic decision-making. Pu Jin believes that the ownership structure affects the globalization strategy through three factors: innovation, advantages of low cost as well as high quality and product diversification<sup>[3]</sup>.

### 2.1.2. Board of Directors and Strategy

The strategic value provided by the board of directors to the company mainly depends on the definition of the strategy and companies' business environment. The board of directors formulates the strategy and supervises the implementation of the strategy<sup>[4]</sup>. The strategic decision-making power allocation of the board of directors and senior management is the core of corporate strategic governance<sup>[5]</sup>. A full understanding of the decision-making power of the board of directors and the CEO will also help us to analyze the role of the board of directors in corporate governance and the influence on corporate strategy.

### 2.1.3. Executive Incentives and Strategy

Most research of scholars focus on the research on the relationship between executive compensation and company performance, but they rarely analyze the relationship between executive incentives and corporate strategy. Monetary compensation incentives for executives have a certain moderating role in the impact of company strategy on financial performance. Companies should formulate executive compensation based on their own strategic characteristics and the environment they face. Executive compensation needs to be highly aligned with the strategic orientation<sup>[6]</sup>.

## 2.2. Strategy and Organizational Structure

One of the earliest scholars to conduct in-depth research on the relationship between organizational structure and strategy and drew a widely cited conclusion: "Strategy determines structure, and structure follows strategy"<sup>[7]</sup>. In recent years, companies have paid close attention to the issue of organizational structure. Internet companies such as Tencent and Alibaba are carrying out organizational structure revolution. This shows that the times are constantly progressing. If an enterprise wants to maintain its vitality, it must constantly change to adapt to the drastic change in the external environment<sup>[8]</sup>.

## 2.3. Revolution in the age of intelligence

Regarding the revolution in the age of intelligence, some scholars believe that the age of intelligence is another great change after the information age of the industrial age. The inherent form of traditional enterprises is no longer suitable for the development of the new era. Facing the advent of the era of intelligence, enterprises need to make a series of revolution, and these revolutions also represent the development direction of enterprises to a certain extent<sup>[9]</sup>. Some scholars focus on the transformation of the information age, the transformation of the mobile Internet era, the transformation of the Internet of Things era and the transformation of the artificial intelligence era. These are a series of revolutions and adjustments made by enterprises in response to the current changing external environment. Only by grasping the pace of the times and constantly changing, can an enterprise maintain its vitality in the wave of development.

## 3. Theoretical analysis

### 3.1. Theoretical framework

From an overall point of view, based on the background of intelligence, this paper explores the relationship between corporate governance and organizational structure with corporate strategic decision-making as an intermediary.

First of all, corporate governance is an institutional arrangement within an enterprise, which is mainly aimed at the agency problem existing in the company. Corporate governance affects the company's strategy through three aspects, that is, ownership structure, board of directors and executive incentives. Secondly, after analyzing the impact of corporate governance on strategy, we will further discuss the impact of strategy on the organizational structure of the enterprise. It can be seen that there is an interactive impact between strategy and organizational structure, and independent judgment cannot be separated. In order to achieve long-term strategic goals, an enterprise needs to have a corresponding organizational structure to match it. Finally, the era of intelligence makes the corporate governance, strategy, and organizational structure of enterprises have certain influences and changes. The arrival of the intelligent era also deepens the degree of influence between them, improves the efficiency of corporate governance, enhances the ability of strategic decision-making, and guides organizations the direction of organizational change.

Therefore, under the background of intelligence, enterprises should make timely internal adjustments in response to the changing external environment, so that internal and external stable and long-term coordinated development.

### 3.2. Corporate Governance and Strategic

Corporate Governance is the Core of Modern Enterprise System. Through the reasonable use of the ownership structure, the operation of the board of directors and the incentives of the executives, it provides a balanced tool for the company to form a unified strategic goal and formulate and implement the corporate strategy.

#### 3.2.1. *The relationship between ownership structure and company strategy*

The shareholding structure is known as the cornerstone of the company's internal governance. It determines a series of institutional arrangements of the company and thus affects the distribution of the company's decision-making power. Different decision-making bodies under different ownership structures will make different corporate strategic decisions. The ownership structure indirectly affects the company's strategic decision-making by affecting the strategic decision-making body.

#### 3.2.2. *The relationship between the board of directors and corporate strategy*

As one of the important strategic decision-making bodies of an enterprise, the board of directors can directly participate in the formulation of strategic decisions and influence their results. The specific manifestations are: the board of directors participates in the formulation and approval of strategic decisions that affect the company's long-term performance, and supervises its results.

#### 3.2.3. *The relationship between executive motivation and company strategy*

Executives are one of the main bodies of strategic decision-making. Appropriate incentives can make executives' strategic behavior in line with shareholders' interests. By designing a reasonable incentive and restraint mechanism, the interests of the agent and the principal are aligned. The study found that the company's implementation of long-term equity incentives and reputation incentives can make executives consider the company's long-term interests when making strategic decisions, and effectively improve the company's strategic behavior.

### 3.3. Strategy and Organizational Structure

The strategic decision of an enterprise determines the organizational structure, and the organizational structure can also promote the realization of strategic goals, so the enterprise organization needs to match the future development strategy of the enterprise.

In order to achieve long-term strategic goals, an enterprise needs to have a corresponding organizational structure to match it. The development strategy of the enterprise will vary with the change of the environment, and the corresponding organizational structure that plays a certain supporting role in the implementation of the enterprise strategy will also vary with the change of the strategy. Therefore, in the actual production and operation process of an enterprise, the organizational structure is not simply determined by the strategy, and conversely, the organizational structure also restricts the formulation and implementation of the strategy to a certain extent. The strategic adjustment should also take into account the resistance brought by the organizational structure, so the strategy and the organizational structure cannot be disconnected.

### 3.4. The impact of intelligence backgrounds

The development of society is inseparable from technological change. Only after the first industrial revolution, the second industrial revolution, and the information revolution can society progress to the current stage. In the context of the current era, the emergence of mobile internet, cloud computing, big data and AI intelligence has had a huge impact on society. Enterprises should keep up with the pace of intelligence, adopt advanced technologies, and formulate future development strategies suitable for themselves. The most important thing is to carry out corresponding organizational changes, so as to be able to integrate into the background of intelligence and have a certain advantage in the wave of social development.

#### 3.4.1. *The impact of the age of intelligence on corporate governance*

First of all, the arrival of the intelligent era simplifies the process of information mining and broadens the channels for information acquisition. Information transmission has changed from a single mode to multi-channel and wide-ranging mode. Second, the age of intelligence has brought information technology to companies. Finally, the era of intelligence enables companies to apply Internet technology and other means to conduct corporate governance.

In the era of intelligence, corporate governance will undergo certain changes, which will further affect the formulation and implementation of corporate strategic decisions by the company's decision-making body, but we also need to take into account the negative impacts and risks of the age of intelligence. If the phenomenon of network grouping is not controlled, enterprises will suffer huge losses. Online voting may be deliberately manipulated, such as brushing tickets. There may be a lack of trust among various stakeholders or decision-making bodies. Therefore, when we analyze the impact

of the era of intelligence on corporate governance, we must consider the new opportunities for enterprises in the era of intelligence, the advantages brought by enterprise reform, and the negative impact, in order to carry out more suitable development revolutions for enterprises.

### 3.4.2. *The impact of the age of intelligence on strategy*

In order to adapt to the business competition environment in the era of intelligence and improve the overall competitiveness of enterprises, the goal of strategic adjustment of enterprises is to make full use of technology, adapt to market changes, form strategic advantages, centrally manage and utilize data inside and outside the enterprise, realize intelligence of enterprises, optimize enterprise products and services to enhance customer appeal. In the era of intelligence, emerging technologies are not limited to one department or a few production lines, but include most of the business and production lines of the entire company. Therefore, it is very important to formulate an appropriate strategy, which can solve the problems of strategic fragmentation and information islanding at the company level to a certain extent, and can organically combine the strategies at all levels of the company. For the main body of the company's strategy formulation, it is an opportunity and a challenge.

### 3.4.3. *The impact of the age of intelligence on organizational structure*

With the advent of the era of intelligence, new technologies such as the Internet and artificial intelligence have rapidly penetrated into all levels of society, which also brings certain challenges to the traditional organizational structure of enterprises. The external market environment faced by the enterprise is constantly changing, and the internal business scale is rapidly expanding. The management model under the traditional hierarchical organizational structure gradually exposes many problems such as inefficiency, unclear boundaries, waste of resources, and disconnection between management and business. Therefore, it is necessary to carry out corresponding changes in the organizational structure, which also enables the effective implementation of strategic decisions.

## 4. CONCLUSION

Through the above analysis, we can conclude that corporate governance affects the organizational structure of enterprises to a certain extent. As the source of an enterprise, corporate governance mainly refers to the macro and long-term strategic decisions made by the corporate governance level. The organizational structure is the execution level at the end, mainly referring to the strategic decisions made in order to realize the corporate

governance of the enterprise. It can be said that the organizational structure is the realization method of corporate governance. Corporate governance affects organizational structure to a certain extent by influencing strategic decisions. In the study of the relationship between corporate governance and organizational structure, the introduction of intelligence as the background is helpful for enterprises to keep up with the development of the times. If an enterprise wants to be invincible in the complex competitive environment and the background of the intelligent era, it must have an excellent governance structure and a clear strategy, and make the organizational structure adapt to the strategic decision-making, so that the three are constantly matched.

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