

# The Impact of Management Personnel Changes in State-Owned Enterprises on Performance

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## ABSTRACT

The personnel flow of enterprise management has been given special attention by domestic and foreign academic circles for a long time and has become a hot spot in the study of enterprise operation structure. This paper empirically studies the relationship between the personnel changes of enterprise management and enterprise performance, analyzes the relationship between enterprise composition and management personnel, and explains the impact of management personnel changes on organizational structure and business philosophy, as well as the adjustment through this impact, the mechanism of action of business performance. The results show that even moderate changes in management personnel, as long as those changes are made to adapt to the changing requirements of the external environment and the development of the enterprise itself, will significantly promote the improvement of enterprise performance. The results also show that changes in formal and informal systems, such as organizational structure, brought about by changes in management personnel, are necessary conditions for improving enterprise operations.

**Keywords:** *A state-owned enterprise, Corporate performance, Management personnel changes, Business philosophy.*

## 1. INTRODUCTION

According to existing research and cases, the decisive factor for the survival and development of the enterprise is the operator of the enterprise, which has been generally recognized. Therefore, the personnel flow of enterprise management has been given special attention by domestic and foreign academic circles for a long time and has become a hot spot in the study of enterprise operation structure. However, it is not only agents such as the CEO or general manager that determine the operation of the enterprise but also the leadership collective with decision-making power. Only by linking their personnel changes with the performance changes of the enterprise can we determine the specific reasons for the management changes.

From another point of view, it is difficult to fully reflect the impact of the personnel changes of the managers and management on the performance of the enterprise if we only study the replacement of corporate agents from the perspective of the inconsistency of the interests of managers and shareholders. Because of this single top-to-bottom perspective, it is often overlooked that management makes decisions as a group, and

naturally cannot fully reflect the connection between the two. From the perspective of business philosophy and personnel changes and enterprise performance, this research, focuses on the relationship between personnel changes and enterprise performance and causes business operators to think about the nature of the enterprise itself.

The research presented in this paper is mainly based on the above-mentioned points, through the analysis of existing theories and the collection of cited literature data, to study the specific impact of management personnel changes in listed companies on corporate performance, and to test the relevant hypotheses through empirical research. The role of this research is to provide basic ideas for other research in this field in the future and to expand the scope of research.

## 2. CASE ANALYSIS

It is generally believed that knowledge can be divided into explicit and implicit knowledge [1]. Explicit knowledge is widely understood as knowledge that can be captured or presented objectively using concepts, that is, a systematic theory that can be described in words. Tacit knowledge is subjective experience or experience, knowledge that is not easy to describe by using structural

concepts. According to the theory of enterprise capability, an enterprise is a collection of knowledge. The enterprise acquires new knowledge through the accumulation process, and the new knowledge is integrated into the formal or informal organization of the enterprise with the change of management personnel and becomes the main force controlling the future knowledge of the enterprise [2], thus determining the development and survival of enterprises. From the perspective of the degree of change in human capital, there are gradual changes within the existing structure and sudden changes in structural changes. Gradual generation refers to the experience accumulated by management through past decision-making activities and the process of systematizing some implicit knowledge. The mutation refers to the obvious change in the explicit knowledge structure within the management personnel.

Typically, professionals acquire explicit knowledge through formal education and tacit knowledge through work [3]. Although management members can also realize the change of explicit knowledge structure through systematic on-the-job learning, from the practical point of view of enterprise operation, the rapid change of management personnel may be more in line with the interests of the enterprise. In this way, the knowledge structure of the management personnel can be more adapted to the requirements of the changing market environment. Therefore, the personnel change of the management is the main way to realize the sudden change in the knowledge structure of the enterprise.

Explicit knowledge can be modified so that it can be recorded and easily disseminated. Tacit knowledge is often not easily transmitted. Tacit knowledge is often found in hard-to-sort cases and in social relationships within firms. Rather, it usually resides in the skills accumulated by individuals through experience and, in part, in cooperative relationships within firms [4]. Therefore, according to the point of view of the main cited literature[1], from the point of view of transferability, we can know that explicit knowledge mainly acts on the formal system of the enterprise, while tacit knowledge mainly acts on the informal system of the enterprise. At the same time, according to the conclusions of the cited literature, when the formal system and the informal system have a high degree of fit, the transaction costs required for economic operation are lower, and the economic performance is correspondingly improved. On the contrary, when the difference between the two is large, the corresponding higher transaction costs and lower economic performance are inevitable. At the same time, some related studies abroad also believe that the quality of human capital, especially the quality

characteristics of human capital such as management, directly affects the performance of enterprises [5]. In the following, we analyze the influence mechanism of management human capital structure on enterprise performance from the two aspects of the enterprise formal system and informal system.

The formal system of an enterprise consists of some formal and clear behavioral norms that have mandatory constraints on the employees of the enterprise. The basis of these norms is the organizational structure of the enterprise. According to the view of the cited literature, based on the research of Hambrick and Mason, it is concluded that "organization is a kind of map of management personnel." This shows that the influence of management human capital structure on the organizational structure and its operation mode is in the trial production stage. That is, the knowledge level of management members and the way they acquire knowledge have a structural effect on the formation of the organizational structure and the establishment of the operation mode. Therefore, the following assumptions can be drawn:

Changes in management personnel will have an impact on the organizational structure of the enterprise. The more reasonable the changes in management personnel are, the more in line with the changes in the enterprise itself and the market, the more they can promote the improvement of the organizational structure.

### **3. RELEVANT DATA ANALYSIS**

According to the cited literature, the survey sample is based on the list of state-owned medium and large enterprises in each province, provided by the economic and trade commissions of Henan, Shaanxi, and Shanxi provinces. The surveyed enterprises are determined by random sampling, and finally, the person in charge of the enterprise completes the questionnaire. Among the 420 companies, 313 companies were surveyed, and 274 valid questionnaires were obtained, except that 39 companies were in liquidation and did not meet the conditions.

A total of five test variables were set in the survey model, as shown in table 1. The two variables of "organizational innovation behavior and enterprise performance" are combined with multiple indicators, and the other three variables are indicators of direct investigation. Among them, "organizational innovation behavior" consists of five indicators: "change in business scope", "change in inventory policy", "change in distribution network", "change in supplier" and "change in personnel policy".

**Table 1** Mean, Standard, Correlation coefficient

Variable	Mean	Standard	1	2	3	4	5	6	7	8	9	10
1,	2.74	1.12										
2,	2.63	1.24	0.46**									
3,	2.97	1.24	0.21**	0.40**								
4,	1.97	1.06	0.07	0.17**	0.25**							
5,	2.35	1.18	0.11*	0.25**	0.29**	0.13*						
6,	2.14	1.22	0.15**	0.23**	0.29**	0.12*	0.40**					
7,	0.12	0.44	0.04	0.05	-0.12**	0.08	-0.03	0.04				
8,	2.26	1.10	0.25**	0.43**	0.38**	0.17*	0.29**	0.29*	-0.00			
9,	2.83	1.08	0.08	0.23**	0.30**	0.16*	0.37**	0.42*	0.06	0.27*		
10,	2.49	1.06	0.05	0.23**	0.32**	0.18*	0.37**	0.50*	0.02	0.31*	0.46**	
11,	2.61	1.12	0.13*	0.26**	0.42**	0.15*	0.24**	0.30*	-0.09	0.32*	0.46**	0.31*

a, \* p<0.05, \*\*p<0.01

**Table 2** Validate Hypothesis Results

Hypothesis	Describe	Path Coefficient	Significance Level (P Value)	Result
H1	1 - 2	0.420	0.000	Support
H2	1 - 3	0.169	0.003	Support
H3	2 - 12	0.253	0.000	Support
H4	3 - 12	0.373	0.000	Support
H5	12 - 13	0.964	0.000	Support

It should be noted that 1 means management personnel changes. 2 means Changes in organizational structure. 3 means changes in business philosophy. 4 means changes in business range. 5 means inventory change strategy. 6 means change distribution network. 7 means change supplier. 8 means changes in personnel

policies. 9 means change product quality. 10 means seeking new domestic markets. 11 means new investments or changes in technology. 12 means organizational innovation. 13 means business performance.

**Table 3** Model Fit M

Inspection Index	Model Estimation	Expain
Model Fit		
Cmin/df	1.527	Excellent, 1<Cmin/df<3.
GFI	0.965	Excellent, Close 1.
AdjustedGFI (AGFI)	0.937	Excellent, >0.90.
NFI	0.924	Excellent, >0.90.
Model Comparison		
Tuker-Lewis index (TLI)	0.958	Excellent, >0.90.
Comparative fit index (CFI)	0.972	Excellent, >0.90.
Model Simplification		
Parsimonious fit index (Pclose)	0.649	Normal, <1.
Akaike information criterion (AIC)	114.492	Very Good, Very Small Value.

As can be seen from Table 1, the relationship between the variables for the above assumptions has passed the correlation test and has a significant correlation. The results in Table 2 show that the path relationship of the hypothesis has passed the test, and the hypotheses are supported. The results show that even if there is only a "moderate change" in the management of the enterprise, it still has a positive effect on the performance of the enterprise. This is slightly different from the conclusions of some previous related studies. We believe that more and more accurate corporate financial data is needed if further accurate investigations are to be conducted. Bae & Lawler (2000) argue that it is often difficult to obtain accurate financial performance data from Asian companies, which may be due to the particularity of Asian companies, which are still in an immature state in terms of open data and transparency. On the other hand, it also proves from the side that the shareholders of enterprises or state-owned enterprises need to set reasonable, correct, and market-compliant indicators for the employment of enterprise management personnel, and comprehensively examine the quality and knowledge of enterprise management personnel in order to help the enterprise. Development and survival provide a good foundation.

#### **4. DISCUSSION**

Personally, the author thinks the significance of this research to this field is to explore the reasons why shareholders change the management of enterprises from the underlying logic and to analyze the evaluation criteria of shareholders for management personnel. This is of great significance to the field of enterprise management. The research results can provide a way of thinking for the owners of some enterprises, and provide a basis for them to build a scientific and correct system of electing talents. In addition, some explorations are made into the relationship between enterprise management and the enterprise itself, and the nature and existence form of the enterprise itself are explained to a certain extent. Therefore, it is expounded that an advanced management will contribute to better enterprise performance. The author thinks that in the future, more research can be done in the field of the relationship between corporate shareholders and corporate management by analyzing their behaviors and ideas and studying business philosophy.

#### **5. CONCLUSION**

For a firm or state-owned enterprise, this paper finds that even moderate changes in management personnel can have a positive impact on firm performance. This is different from the theory that the performance decline of state-owned enterprises is due to government intervention in management personnel, which is widely recognized by the public. On the other hand, the research

results also show that the personnel changes of enterprise management in order to meet the requirements of changes in the external environment are conducive to the improvement of enterprise performance; formal institutional arrangements such as organizational structure and enterprise strategies are brought about by personnel changes; changes in informal institutions, such as business philosophy, are a necessary condition for improving business performance.

As for the limitations of this paper, although this study provides some analysis of the two research themes, there are still shortcomings. For the follow-up research in this field, the collection of real data should be carried out as much as possible, the actual investigation and research for the hypothesis should be developed, and the model validation data should be established. Due to the limitations of the cited data, the hypothesis of this study cannot be truthfully proved, and it does not fit the theme of this article. In the future, when conducting research in this field, it is also necessary to take into account the differences in enterprises in different regions and fully consider the different economic systems of various countries in order to conduct more complete research and draw more valuable conclusions.

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