



# Executive Compensation Stickiness and Value Creation: Evidence from Chinese State-Owned Listed Enterprises

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**Abstract.** The phenomenon of executive compensation stickiness in state-owned enterprises reflects a lack of contract effectiveness and has a significant impact on firms' value creation capacity. This study constructs a panel dataset covering state-controlled A-shares listed companies in China from 2010 to 2022, and empirically examines the effect of compensation stickiness on corporate value creation. Based on pay-performance sensitivity and information asymmetry theory, a compensation stickiness index is developed. The baseline regression is conducted using fixed effects models, while robustness is tested through alternative measurements, propensity score matching (PSM), and instrumental variable (IV) approaches to mitigate endogeneity. Results show that higher levels of compensation stickiness significantly hinder corporate value creation. Mechanism analysis further reveals that the negative impact operates mainly through reduced resource allocation efficiency and constrained growth potential. Heterogeneity tests suggest that this effect is more pronounced in local SOEs, non-high-tech firms, and firms in low-competition or weak legal environments. These findings provide empirical support for strengthening incentive and constraint mechanisms in SOEs and offer policy implications for enhancing internal governance and advancing reform.

**Keywords:** State-Owned Enterprises, Executive Compensation Stickiness, Corporate Value Creation, Production and Operation Efficiency

## 1 Introduction

Executive compensation stickiness reflects how rigidly firms adjust pay in response to performance, offering insight into the strength of compensation contracts and their role in corporate governance<sup>[1]</sup>. Enhancing corporate value creation in state-owned enterprises (SOEs) requires aligning managerial incentives with broader organizational goals. A well-designed balance of incentives and constraints can encourage executive behaviours that support long-term competitiveness and strategic objectives<sup>[2]</sup>. However, compensation contracts in SOEs still lack sufficient rigidity, and executive pay stickiness remains prevalent<sup>[3]</sup>. To better understand the impact of executive compensation stickiness on corporate value creation in SOEs and to support the deepening of institutional reform, this study investigates the following questions: Does executive

compensation stickiness in SOEs undermine value creation? If so, what are the underlying mechanisms this effect operates?

Based on a sample of Chinese A-shares listed SOEs during the period from 2010 to 2022, this study finds that firms with higher executive compensation stickiness tend to exhibit weaker value creation performance, and this negative relationship remains robust after addressing endogeneity and conducting robustness checks. Specifically, this effect arises primarily from reduced managerial involvement in resource planning and constrained sustainable growth potential. Moreover, the adverse impact of executive compensation stickiness on value creation is more pronounced in local SOEs, medium and low-tech industries, those facing intense market competition, and companies located in regions with weaker legal environments.

This paper's primary contributions and innovations are as follows. First, while most existing studies have focused on individual or internal governance determinants of compensation stickiness, this paper focuses on state-controlled listed companies and highlights the institutional consequences of weak contract enforcement, particularly its impact on corporate value creation. Second, it confirms the mechanism by which the executive compensation distribution system affects corporate value in SOEs. Executive compensation stickiness affects corporate value creation by reducing the efficiency of resource allocation and constraining sustainable growth potential. Third, examine how the effects of executive compensation stickiness differ across various institutional and environmental contexts. Specifically, the analysis reveals that the impact of compensation stickiness on value creation varies across administrative hierarchies (central vs. local SOEs), technological intensity levels, industry competition degrees, and regional legal environments. These findings offer practical insights for improving compensation systems and enhancing the competitiveness of SOEs.

## **2 Theoretical Framework and Research Hypothesis**

### **2.1 Executive Compensation Stickiness and Value Creation**

Executive compensation is a vital component of corporate governance systems. Its design and implementation directly affect managerial motivation and the efficiency of business operations, thereby influencing governance outcomes and value creation.

Executive compensation stickiness refers to an asymmetric pay response. It reflects a slower and smaller reduction in pay during performance downturns than the corresponding increase during upturns. This asymmetry constrains the ability of SOEs to create value in two key ways. On the one hand, executive compensation stickiness reduces managerial initiative in managing operational resources, ultimately resulting in lower input efficiency. On the other hand, compensation incentives influence how executives perceive and respond to operational risk, potentially distorting risk-taking behaviour and undermining long-term development. Despite the recognised importance of prudent risk-taking for sustainable output, aggressive risk strategies may ultimately undermine long-term firm growth.

Stickiness reduces the cost of failure for executives. This discourages decisions aligned with long-term interests and increases financial pressure during performance

downturns, thereby impeding the growth of production and operation capabilities. Consequently, we develop and present our first hypothesis.

Hypothesis 1: A higher degree of executive compensation stickiness impairs the ability of state-owned listed firms to create value.

## 2.2 Resource Allocation and Corporate Growth

Executive compensation stickiness shapes value creation via two channels: resource allocation and corporate growth.

Executive compensation stickiness in SOEs affects how efficiently firms manage inventory and capital. In practice, compensation stickiness refers to a pattern in which executive pay decreases less when firm performance worsens than it increases when performance improves. Compared to effective contracts, such stickiness reduces the cost of failure for managers during downturns. This may lead executives to prioritise short-term gains when designing inventory strategies, such as stockpiling to hedge against demand uncertainty. However, this often increases inventory costs and capital lock-in, lowers turnover rates, and ultimately hampers operational efficiency.

Executive compensation stickiness in SOEs affects corporate production efficiency. Specifically, compensation stickiness reduces pay–performance sensitivity, suggesting the presence of alternative incentives that become the dominant drivers of executives' operational decisions<sup>[4]</sup>. These mechanisms shift the focus away from shareholder value and weaken the effectiveness of incentive and constraint systems<sup>[5]</sup>. Consequently, stickiness reflects a loss of contractual discipline<sup>[6]</sup>, weakening executives' motivation to strengthen internal governance. This increases the likelihood of inefficiencies in policy implementation and operational processes across the value chain, ultimately reducing production efficiency<sup>[7]</sup>. Based on the above analysis, we investigated the empirical validity of the following hypothesis:

Hypothesis 2a: Executive compensation stickiness lowers the efficiency of production resource allocation, which in turn weakens the firm's capacity for value creation.

In addition to its impact on resource allocation, compensation stickiness may distort managerial incentives in ways that hinder sustainable growth. Executive compensation stickiness, marked by stronger rewards than penalties, reduces managerial incentives for internal oversight and lowers the perceived cost of poor decisions<sup>[8]</sup>. This weakens executives' willingness to align with shareholder interests or manage investment risks prudently<sup>[9]</sup>. When compensation remains relatively stable during performance downturns, executives may focus on short-term gains at the expense of long-term strategy. This short-term focus may lead to conservative decision-making, reduced willingness to explore new opportunities, and hesitation toward innovation, ultimately limiting revenue growth potential. Moreover, when firms encounter external shocks or structural challenges, stable compensation levels may reduce executives' motivation to adapt, implement restructuring, or pursue strategic transformation, which in turn hinders sustainable value creation. As a result, such inertia may further reduce executives' urgency to adapt, restructure, or initiate strategic change in periods of market disruption. This leads to the following hypothesis:

Hypothesis 2b: Executive compensation stickiness hinders the development of a firm's growth potential and weakens its ability to create value.

### 3 Research Design and Sample Selection

#### 3.1 Research Design

To examine the impact of executive compensation stickiness on value creation in SOEs, we begin with the following baseline model, drawing on prior studies<sup>[8]</sup>.

$$VAS_{i,t} = \beta_0 + \beta_1 NX_{i,t} + \gamma \text{Controls} + \text{Year} + \text{Ind} + \varepsilon_{i,t} \quad (1)$$

$$REVA_{i,t} = \beta_0 + \beta_1 NX_{i,t} + \gamma \text{Controls} + \text{Year} + \text{Ind} + \varepsilon_{i,t} \quad (2)$$

In Eq. (1) and Eq. (2), the dependent variable *VAS* represents the annual value added of SOEs, calculated using the production approach, and *REVA* is the value-added ratio of operating revenue, derived from *VAS*. *NX* captures the degree of executive compensation stickiness. Higher values reflect weaker pay–performance alignment, especially when upward pay adjustments exceed downward ones during performance fluctuations. Our model includes a vector of firm-level control variables (Controls) and incorporates both year (Year) and industry (Ind) fixed effects (FE).  $\varepsilon$  denotes the error term, and detailed variable definitions are provided in Appendix A.

#### 3.2 Sample Selection

This study conducts an empirical analysis based on Chinese state-controlled A-shares listed companies from 2010 to 2022. The data are sourced from the CSMAR database. A firm is identified as state-controlled if its ultimate controller is the State-owned Assets Supervision and Administration Commission (SASAC) at either the central or sub-national level, or if directly controlled by entities or enterprises under SASAC.

To ensure data quality and meet the research requirements, several sample refinements were conducted. First, firms classified under the financial industry were excluded, based on the Guidelines for Industry Classification of Listed Companies (2012 revision) issued by the China Securities Regulatory Commission (CSRC). Second, companies designated as ST or \*ST in any given year were removed from the sample. Third, firms with unclear information regarding the administrative hierarchies of state ownership were excluded. Fourth, observations with missing values for key variables were eliminated. Finally, to reduce the influence of outliers on regression results, all continuous variables were winsorised at the 1st and 99th percentiles.

## 4 Empirical Results

### 4.1 Descriptive Statistics

The descriptive statistics are reported in Table 1. Using data from 679 state-controlled A-shares listed firms in China between 2010 and 2022, we obtained a final sample of 7,334 firm-year observations after data cleaning. The average value of *VAS* is 0.14, while the mean value of *REVA* is -0.03. Both indicators display wide gaps between minimum and maximum values, suggesting significant heterogeneity across state-controlled firms, which may be attributed to differences in industry, market, and policy environments. Executive compensation stickiness also varies substantially across the sample, with a minimum of -1.68 and a maximum of 6.31. The median stickiness is 0.06, which is lower than the mean of 0.26, implying a large number of state-controlled listed firms exhibit a notable degree of compensation stickiness.

**Table 1.** Descriptive statistics

Variable	Obs	Mean	St.Dev.	Median	Min	Max
<i>VAS</i>	7334	0.14	0.09	0.12	-0.01	0.43
<i>REVA</i>	7334	-0.03	0.13	-0.01	-0.67	0.26
<i>NX</i>	7334	0.26	0.87	0.06	-1.68	6.31
<i>Fsh</i>	7334	39.58	14.70	38.60	12.18	76.67
<i>Msh</i>	7334	0.00	0.00	0.00	0.00	0.02
<i>Board</i>	7334	2.20	0.20	2.20	1.61	2.71
<i>Outside</i>	7334	0.37	0.06	0.36	0.31	0.57
<i>Dual</i>	7334	0.08	0.27	0.00	0.00	1.00
<i>Age1</i>	7334	3.01	0.27	3.04	2.20	3.53
<i>Size</i>	7334	22.92	1.41	22.78	19.96	26.75
<i>Capex</i>	7334	0.04	0.04	0.03	0.00	0.20
<i>PPE</i>	7334	0.27	0.20	0.24	0.00	0.76

### 4.2 Baseline Results

Table 2 presents baseline regression results. To address potential endogeneity concerns, all specifications include firm fixed effects. Columns (1) and (2) use *VAS* as the dependent variable. Columns (3) and (4) employ the EVA rate based on operating revenue (*REVA*) as an alternative measure of value creation. Columns (1) and (3) include only *NX* as independent variable. Columns (2) and (4) extend the model by adding firm characteristic-related control variables, along with year and industry FE.

**Table 2.** Baseline Results

Variable	(1)	(2)	(3)	(4)
	<i>VAS</i>	<i>VAS</i>	<i>REVA</i>	<i>REVA</i>
<i>NX</i>	-0.002*	-0.003**	0.007***	0.006***
	(-1.68)	(-2.26)	(-3.13)	(-2.90)



Adj R <sup>2</sup>	0.110	0.071	0.073	0.089	0.131	0.124
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Note: Robust t-statistics in parentheses \*\*\* p<0.01, \*\*p<0.05, \* p<0.1

#### 4.4 Addressing Endogeneity

**Propensity Score Matching (PSM) Analysis.** The likelihood of executive compensation stickiness varies across firms, as it is influenced by a range of internal agency issues and external governance environments. Firms in different regions, industries, or with different ownership affiliations (central vs. local SOEs) may face distinct conditions in these respects. As a result, the sample may suffer from self-selection bias. To address this, we employ a propensity score matching (PSM) approach.

Specifically, we group firms by industry and year, then calculate the median level of compensation stickiness within each group. Firms with stickiness above the group median are assigned to the treatment group, and those below are assigned to the control group. Using the control variables from Model (1) as covariates, we implement a 1:1 nearest-neighbour matching procedure with replacement. A fixed-effects regression is then conducted on the matched sample. As shown in Column (1) of Table 4, the coefficient of the key explanatory variable *NX* remains statistically significant and consistent with the baseline results.

**Table 4.** PSM and IV Regression Results

Variable	(1)	(2-1)	(2-2)
	<i>VAS</i>	First <i>NX</i>	Second <i>VAS</i>
<i>NX</i>	-0.003* (-1.73)		-0.003* (-0.002)
<i>GAP</i>		2.142*** (0.513)	
Controls	Yes	Yes	Yes
Ind FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Obs	4021	7177	7177
Adj R <sup>2</sup>	0.131		-0.006

Note: Robust t-statistics in parentheses \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Instrumental Variable (IV) Approach.** This study employs the external negative pay gap (*GAP*) as an instrumental variable. A larger *GAP*, where executives are paid significantly less than their peers, may lead firms to offer more rigid compensation structures as a substitute form of reward. This tendency is particularly evident in firms subject to stricter compensation regulations, supporting the instrument's relevance. Furthermore, the external negative pay gap is unlikely to directly influence corporate value

creation, thus meeting the exogeneity requirement for a valid instrument. Column (2-1) of Table 4 presents the first-stage regression results, showing a significant positive relationship between *GAP* and executive compensation stickiness (*NX*), confirming instrument relevance. Column (2-2) reports the second-stage regression results, which demonstrate that, even after accounting for endogeneity, executive compensation stickiness remains negatively and significantly associated with firm value creation. These findings reinforce the robustness of the baseline results.

#### 4.5 Mechanism Analysis

From a functional perspective, executive compensation stickiness in SOEs reduces the effectiveness of incentive mechanisms, weakens managerial initiative in operational oversight, and lowers the efficiency of daily business activities. These effects, in turn, impair the allocation of production resources and restrict business development, ultimately diminishing the firm's capacity for value creation. This section further explores the mechanisms through which compensation stickiness affects corporate value creation, both theoretically and empirically.

**Resource Allocation.** A fundamental dimension of resource allocation efficiency lies in the operational performance of core business activities. Managerial agency problems may weaken executives' effectiveness in overseeing production processes and reduce the overall efficiency of core operations. To examine whether this serves as a transmission channel through which executive compensation stickiness affects value creation, we use Total Factor Productivity (*TFP*) as a mediating variable. To ensure adequate sample size for empirical analysis, *TFP* is estimated using the Levinsohn-Petrin (LP) approach. The estimation procedure is based on the following specification:

$$\ln Y_{i,t} = \beta_0 + \beta_1 \ln L_{i,t} + \beta_2 \ln K_{i,t} + \beta_3 \ln M_{i,t} + \varepsilon_{i,t} \quad (3)$$

The output variable *Y* is measured by a firm's annual operating revenue. Labor input *L* is proxied by the number of employees at year-end, capital input *K* is represented by the book value of fixed assets, and intermediate input *M* is measured by the total cash paid for purchasing goods and receiving services. *TFP* is estimated using the Levinsohn-Petrin (LP) method in Model (3), and the residual from this estimation is used as the *TFP* value. Replacing the dependent variable in Model (1) with *TFP*, the results reported in Column (1) of Table 5 show that the coefficient of stickiness is negative and statistically significant at the 5% level. This suggests that increased compensation stickiness undermines firms' production efficiency. These findings indicate that the negative effect of executive compensation stickiness on productivity transmits through the value chain, ultimately reducing firms' capacity for value creation.

Inventory management is another critical aspect of internal resource allocation that may be impaired by compensation stickiness. Under conditions of compensation stickiness, executives may face reduced pressure to adjust their management practices during downturns, which may negatively affect inventory control systems and foster inertia. Such inertia can extend beyond individual executives to the broader management

team, ultimately lowering the efficiency of inventory management. To assess whether executive compensation stickiness affects inventory efficiency in SOEs, this study uses the inventory-to-revenue ratio as a proxy indicator. A higher coefficient on this ratio indicates more inventory-tied capital and lower inventory efficiency.

As shown in column (2) of Table 5, the regression coefficient of executive compensation stickiness ( $NX$ ) on the inventory-to-revenue ratio ( $Inv\_Rev$ ) is significantly positive. This finding indicates that in SOEs, stickier executive compensation is associated with poorer inventory management in core operations. The result supports the theoretical expectation that reduced managerial accountability, caused by compensation stickiness, can hinder value creation by affecting resource use efficiency.

Compensation stickiness may also weaken the initiative and efficiency of working capital management, it reduces the penalties for poor decisions while keeping rewards for good performance. This asymmetry may encourage executives to take more risks. To test whether such stickiness reduces executives' initiative in managing working capital, we use the accounts payable turnover ratio ( $APTO$ ) as a negative proxy. A lower  $APTO$  suggests reduced utilization of accounts payable and weaker working capital management efficiency.

Column (3) of Table 5 presents the regression results, showing a significantly negative coefficient on executive compensation stickiness ( $NX$ ) at the 5% level. This finding indicates that in SOEs, stickier executive pay is associated with reduced effectiveness in managing payables. Such inefficiency in working capital use may affect operational flexibility and, ultimately, constrain corporate value creation.

**Corporate Growth.** Executive compensation stickiness implies that pay increases significantly when firm performance improves but decreases only slightly or not at all when performance deteriorates. This asymmetrical pay-performance relationship forces firms to maintain high executive compensation even when performance declines. As a result, profit margins are compressed, leaving fewer resources available for research and development, market expansion, and product upgrades. These constraints reduce the firm's ability to sustain and grow its production capacity. It may also shift executive priorities toward short-term returns instead of long-term goals.

To test this mechanism, we measure firm growth using the two-year changes in operating revenue ( $Rev\_Gr$ ) and industrial output ( $Output\_Gr$ )<sup>[11]</sup>. As shown in columns (4) and (5) of Table 5, the regression coefficients on  $NX$  are significantly negative for both indicators. This suggests that greater compensation stickiness weakens revenue and output growth in SOEs, ultimately hindering value creation.

**Table 5.** Mechanism Analysis Results

Variable	(1)	(2)	(3)	(4)	(5)
	$TFP$	$Inv\_Rev$	$APTO$	$Rev\_Gr$	$Output\_Gr$
$NX$	-0.003** (-2.32)	0.001** (2.06)	-0.001** (-2.12)	-0.001** (-2.42)	-0.070** (-2.04)
Controls	Yes	Yes	Yes	Yes	Yes
Ind FE	Yes	Yes	Yes	Yes	Yes

Year FE	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes
Obs	7,333	7,334	7,334	7,334	3,307
Adj R <sup>2</sup>	0.334	0.111	0.115	0.109	0.049

Note: Robust t-statistics in parentheses \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

## 5 Additional Analyses

The preceding results suggest that in listed SOEs, executive compensation stickiness undermines corporate value creation by reducing resource allocation efficiency and limiting growth potential. This section investigates whether the impact of executive compensation stickiness varies with firms' administrative hierarchies, technological characteristics, market competitiveness, and regional legal conditions.

**Heterogeneity by Administrative hierarchies.** In this study, listed companies are classified based on whether their actual or ultimate controlling shareholder is the State-owned Assets Supervision and Administration Commission (SASAC) at the central level or at the local level. As shown in columns (1) and (2) of Table 6, the coefficient of *NX* is significantly negative in locally controlled SOEs, while it remains negative but statistically insignificant in centrally controlled ones. This suggests that the suppressing effect of compensation stickiness on value creation is more pronounced in locally administered SOEs.

**Heterogeneity by technological characteristics.** Compared with medium and low-tech industries, high-tech industries tend to place greater emphasis on innovation output and efficient talent allocation. Executive compensation stickiness in high-tech firms has a relatively limited impact on resource allocation efficiency related to corporate growth potential. Based on the National Bureau of Statistics classification, firms are grouped into high-tech and non-high-tech sectors according to four-digit industry codes. As shown in Columns (3) and (4) of Table 6, compensation stickiness has a more pronounced negative effect on value creation in non-high-tech SOEs.

**Heterogeneity by market competitiveness.** Using the Herfindahl index based on revenue shares to measure industry competition, firms are divided into high- and low-competition groups according to the median. As shown in Columns (5) and (6) of Table 6, the adverse effect of compensation stickiness on value creation is more pronounced in firms operating under high competitive pressure, supporting the theoretical expectation.

**Heterogeneity by regional legal conditions.** Adopt the 'Legal Environment for Market Development' index<sup>[12]</sup> to classify provinces into strong and weak legal environments, based on whether their scores are above or below the sample average. Regression results in Columns (7) and (8) of Table 6 indicate that compensation stickiness significantly impairs value creation in provinces with weaker legal environments, while the effect is statistically insignificant in regions with stronger legal systems. These findings suggest that robust legal institutions can help cushion the negative governance effects of rigid pay structures.

**Table 6.** Heterogeneity Test Results

Var	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Central SOEs		High-tech SOEs		Competitive Ind		High rule-of-law	
	Yes	NO	Yes	NO	Yes	NO	Yes	NO
<i>NX</i>	-0.002 (-1.14)	-0.003* (-1.85)	-0.000 (-0.11)	-0.003** (-2.32)	-0.003* (-1.76)	-0.003 (-1.50)	-0.002 (-1.12)	-0.003* (-1.93)
Obs	2445	4736	2683	4498	4010	3171	2954	4227
Adj R <sup>2</sup>	0.206	0.147	0.201	0.128	0.165	0.124	0.151	0.153

Note: Robust t-statistics in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ . All models in this table include control variables, controls for ind, year, and firm fixed effects.

## 6 Conclusion and Discussion

Executive compensation is a key component of modern corporate governance, and compensation stickiness represents a unique phenomenon that arises when firms design incentive systems aligned with strategic goals and value creation. This study empirically investigates the impact of executive compensation stickiness on the value creation capacity of state-controlled listed firms in China. The results show that higher levels of compensation stickiness significantly undermine value creation. Further analysis reveals that this negative effect primarily operates through two channels: by reducing the efficiency of production resource allocation and by weakening firms' growth potential through constrained forward-looking management. Heterogeneity tests suggest that this effect is more pronounced in local SOEs, non-high-tech firms, and firms in low-competition or weak legal environments.

Extending to the employee dimension of SOEs, unreasonable executive compensation stickiness undermines employees' work motivation and weakens team morale, and even distorts the enterprise's fairness-oriented organizational culture, eroding the effectiveness of internal governance and the foundation for the long-term development of SOEs. Furthermore, the design of compensation structure has a distinct interest redistribution effect, with its skewed allocation toward executives impacting stakeholders like employees and consumers. Excessive executive-oriented skewing crowds out employees' salary space and reduces their income satisfaction; cost pass-through will drive up prices and hurt consumer welfare, ultimately disrupting enterprises' interest balance and distorting the stakeholder distribution pattern.

These findings offer policy reforms for improving internal governance and enhancing value creation in SOEs. First, it is essential to strengthen the incentive and discipline mechanisms in executive compensation systems. Second, firms should optimize compensation structures to improve the flexibility and responsiveness of executive pay arrangements. Third, for SOEs in monopolistic industries, greater coordination between internal controls and external oversight of executive compensation are needed to refine regulatory mechanisms and ensure sound governance. These differentiated strategies can help support more sustainable value creation across diverse SOE contexts.

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## Appendix A

Variable	Definition
<i>VAS</i>	Value added calculated using the production approach, scaled by the natural logarithm of total assets.
<i>REVA</i>	Revenue-based EVA Ratio. This measure reflects economic value added relative to revenue, computed as incremental EVA divided by the prior year's revenue.
<i>NX</i>	Executive Compensation Stickiness. The calculation involves three steps. First, compute the year-over-year growth rates of both executive (Top 3) compensation and firm performance. Second, calculate pay-performance sensitivity as the ratio of average executive compensation growth to performance growth. Third, take the five-year rolling average of this sensitivity in periods of performance increase and decrease, respectively, and then calculate the difference between the two.
<i>Fsh</i>	Ownership Concentration, defined as the percentage of shares held by the largest shareholder.
<i>Msh</i>	Managerial Ownership, calculated as the ratio of shares held by executives to total shares outstanding.
<i>Board</i>	Board Size, measured as the ln of the total number of directors.
<i>Out-side</i>	Proportion of Independent Directors, calculated as the number of independent directors divided by total board members.
<i>Dual</i>	CEO Duality, a binary variable equal to 1 if the CEO also serves as the board chair, and 0 otherwise.
<i>Age</i>	Firm Age, calculated as (current year - registration year + 1).
<i>Size</i>	Firm Size, measured as the ln of total assets.
<i>Capex</i>	Capital Expenditures, calculated as capital investment in fixed and long-term assets divided by ending total assets.
<i>PPE</i>	Proportion of Fixed Assets, defined as net fixed assets / total assets.
<i>Year</i>	Dummy variable, 1 if the observation is in the given year, 0 otherwise.
<i>Ind</i>	Dummy variable, 1 if the firm belongs to a given industry, 0 otherwise.

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