

Research on Executive "sky-high salary" of China Listing Corporation Based on the Human-oriented Theory

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Abstract

Executive compensation of Listing Corporation has been the subject of academic and industrial circles. In recent years, "sky-high salary" arising in the state-owned enterprises frequently, also caused the high attention of all circles of the society. This goes against the principle of "promoting social justice" which has been advocated by our government. And this is not conducive to the harmonious development of society. At the same time, executive compensation system is related to the company's governance issues and the long-term growth of enterprises. This article analyzed the reasons of China's Listing Corporation executives "sky-high salary" from the point of the Human-oriented Theory, and pointed out the present status of "which Human-oriented" in benefit allocation process between the executives and employees of Listing Corporation of China. Finally, the author offered some suggestions for the establishment of Listing Corporation executive compensation system.

Key words: Executive Compensation; Human-oriented theory; Listing Corporation; sky-high salary

With the establishment of the modern enterprise system, the incentive problem of executive compensation has become a hot study spot of domestic and foreign scholars. However, in recent years, it appeared many "sky-high compensation" incidents in China: Zheming Ma, chairman of China's Ping An, won the top of the list of China's Listing Corporation executive compensation in 2007 by 66.161 million yuan in pre-tax. In 2009, Jianghong Zhu, chairman of Gree electric appliances, lead coquettish with 40 million yuan¹. What is the executive compensation system behind these sky-high compensations? And what is the theoretical foundation of the compensation system?

1. Introduction to Human-oriented Theory

Complete definition of the word "Human-oriented", originated in 《The Pipe·The Words》^[1]. Taoism is China's earliest management thoughts and is also the most profound humanistic management ideas (Dongshui Su, 2005).It denied the obedient relationship between "People" and "Heaven" fundamentally, and affirmed the thought that "day", "land", "people" and "content" follow "Taoism". It laid a solid foundation for later generations about the idea of "human-oriented", such as Confucian .Confucianism is the most detailed theory system about the idea of "human-oriented". Confucianism and Taoism form the foundation of Chinese management thought^[2].

At the beginning of the last century, with the rapid changes in China's social system, China's Humanistic thought absorbed Marxist ideas, and provided a new theoretical basis to solve the problem of social system. However, this theory did not play a huge role in the management application until the late 1970s.

¹ Data sources: the website of Shanghai stock exchange and the website of Shenzhen stock exchange.

After the reform and opening-up policy, China regarded early western ideas of "capital" as the mainstream so that the development of the society gradually tended to "the content and money-oriented".

In this background, the chief professor of Fudan University Dongshui Su combined the essence of "Human-oriented" thought of China and the world. He founded Oriental management theory in the mid 1990s and put forward Rationale of "3-Wei, which refers to the three principal ideas of "putting people in the first place", "regarding morality as priority", "conducting oneself so as to serve others".

"Putting people in the first place" contains two meanings: First, regarding people as the primary factor of the management and all management work revolve around the problem of how to mobilize people's enthusiasm, initiative and creativity to expand. This is its surface meaning; second, providing people sufficient space to display their ability; using the challenge to exercise person's intelligence, physical and mental quality constantly; eliminating natural constraints to achieve the free development, and improving people's quality of life on the basis of the comprehensive development^[3].

2. The problems of executive compensation of China's Listing Corporation

2.1 The definition of related concepts

Top management, refers to the company's management in the important position. They are responsible for company management and grasp the important information. For the listed company management job, executives generally include the chairman and general manager, deputy general manager, chief financial officer, chairman of the board secretary, etc.

Executive compensation not only refers to the wage, but also includes short-term performance, long-term performance awards, various benefits, insurance, pensions and other forms of the valuable reward. In this paper, the executive compensation we studied refers to the monetary income of annual report disclosed by each company.

2.2 The problems

In the age of economic globalization, the management system that formed by the arrangement of the power has met all kinds of bottlenecks, which aims at promoting the efficiency^[4]. The allocation problem after efficiency produced which is neglected by western management theory has become an important factor to hinder the enterprise's long-term growth. There is no denying that many measures and the system of Chinese enterprises are against "Human-oriented" theory. What exactly is the problem with the salary system of state-owned enterprises in China?

2.2.1 Executive pay is too high

This article lists the top ten executive compensation of China's Listing Corporation in 2012(Such as Table 1). Shi Wang, the chairman of Vanke, won the top of this list by 15.6 million yuan in pre-tax.

2.2.2 Compensation gap between executives and ordinary workers is larger

According to statistics, in China's listed company, the pay gap between executives and ordinary employees is larger. And the gap increased year by year. The following is a list about executives and ordinary workers salary of Chinese listed companies from 2006 to 2011(Table 2).

2.2.3 The pay of executives exist obvious industry differences

According to "industry classification guidance of listed company" issued by China securities regulatory commission, the public companies can be divided into the following 13 kinds of industries^[5] (Such as Table 3).

According the statistical results, there is obvious difference of the industry about executive compensation of listed companies in China. From 2006 to 2008, the executive compensation of Finance and Insurance maintained the first three years in a row. Because of the low technical content, low value-added products and the lack of core competitive ability in Agriculture, Forestry, Animal husbandry and Fishery, construction and mining, so the income of executives in these industries won't be very high. Therefore, in a certain extent, the level of executives' compensation has a connection with the boom of the industry.

2.2.4 The pay of executives exist obvious regional differences

From different regions, we can see that the pay gap of executives' compensation is more obvious in different areas (Table 4). Executives' compensation in companies which belong to D1 region was significantly higher than in many other areas. And the D1 region is the most economically developed areas. The standard of living, the competitiveness of enterprises and enterprise management level are the highest, therefore executives' compensation will naturally be higher than other areas^[6].

2.2.5 Deficient in the degree of marketization and standardization of executives' compensation

Executives' compensation of state-owned enterprise in our country market is deficient in marketization and standardized management. Mainly manifested as: Firstly, executives in state-owned enterprises are assigned by the administration, the market cannot play the fundamental role in human resource allocation; Secondly, disclosure of information, decision-making procedures of executives' compensation of state-owned enterprise lack of effective monitoring mechanism, which restrict the market's effect; thirdly, correlation is insufficient between state executives and corporate performance, Especially the monopoly of state-owned enterprises lack of effective means for enterprise contribution measure management elements; fourthly, recessive and non monetary compensation, such as job consumption, is universal in the state executives, which this part of income is neither standardized nor market-oriented. This is contrary to the original intention of distribution of factor, and the toilet effect and "Five-nine" phenomenon is an extreme case of this situation. Toilet effect refers to a few bosses' performance is very good in the state-owned, but after leaving the position, it will appear some problems when we audit. If CEOs or other staffs are always in situ, the problems will be so hard to expose, long-term effect of small problems may make a big problem. "Five-nine" phenomenon refers to a number of state-owned enterprises' managers get profits using the position's authority.

3. Countermeasures and Suggestions

In the process of benefit distribution, American companies are mainly based on executives, to fully arouse the enthusiasm, initiative and creativity of executives. While Japan absorbed Chinese Confucianism to protect the interests of all employees in the enterprise, and regard it as the first responsibility. In the process of benefit distribution, companies insist staff-based and fully consider the interests of the majority, to promote the internal relative harmony of the enterprise. This is the reason why Japan has the most enterprises which have more than 200 years of history in the world.

New economic era, the enterprise demand for staff is increasing day by day, people-oriented cultural management become the new trend in the development of modern enterprise management. Respect the staff, care staff, train staff, stimulate initiative of employees, developing the potential of employees, has increasingly become the key and core content of enterprise management. We can see in this era, knowledge and capital are increasingly peer even knowledge hire capital, the role of human capital on the enterprise competitiveness is beyond doubt. Human capital has become the core of enterprise strategic competition. How to effectively build core competitiveness of enterprises and obtain motive force of sustainable development is the focus of enterprises. Conduct scientific management and development of human resource, transfer human resource into human capital, is the key to build the core competitiveness.

As to the disadvantages of executive compensation of China listed companies, we might as well try to consider from the following aspects:

3.1 "People as the foundation of the state"

"People as the foundation of the state" refers to that the people are the basis for national prosperity and the embodiment of the people-based thought in ancient China. It puts forward an important proposition of "whom-oriented". In an enterprise, the staff is a mainstay of the enterprise, and the continued growth of the organization can't do without the staff. Therefore, when designing compensation system, the enterprises might as well try to put employees in the first place, and pay attention to the combination of efficiency and effectiveness, and the combination of efficiency and fairness. However, it does not mean sacrificing the interests of the executive to fill the interests of the employees, but to give attention to both left and right sides, achieve fairness and justice, and fully mobilize the enthusiasm, initiative and creativity^[2].

3.2 Identify social tolerance of the income gap

The traditional Chinese culture has an extremely important effect on the public's attitude toward executive compensation.

Due to the long-term influence of Confucianism, the thought of "spreading the wealth around" has deeply rooted in Chinese society. Therefore, when designing the compensation system, we must fully consider the social tolerance to keep the harmonious atmosphere.

3.3 Fairness and justice

One of the foundations in specific implementation of people-oriented criteria of oriental management is justice principle. When employees feel being treated unfairly, they often lose their trust and confidence of the organization. Justice principle requires managers treat employees fairly and justly first, because employees are the fundamental of enterprise or organization. Giving employees fair treatment is the first thing to pay attention to in the management^[2].

Anyhow, no matter in the process of producing efficiency or in the distribution of benefits, our state-owned enterprises can consider putting the idea of "people-oriented" into enterprise culture. We should put all the staff in the first place as far as possible. When designing compensation system, the enterprises should cost more in advance in order to reduce costs afterwards, inject the positive energy into the enterprise, arouse the enthusiasm of all parties, and make great efforts to achieve a harmonious enterprise and achieve the "Chinese Dream" of the enterprise.

Table 1: The top ten executive compensation of China's Listing Corporation in 2012

Rank	Name	Name of the securities	Annual salary (million)
1	Shi Wang	Vanke A	15.60
2	Chongwu Zhong	Changli-steels	15.17
3	Liang Yu	Vanke A	13.68
4	Jinghe Chen	Zijin Mining	8.48
5	Zhiqiang Ren	Huayuan Property	8.36
6	Ping Shao	Ping An Bank	7.95
7	Jianyi Sun	Ping An Bank	6.92
8	Heping Cao	Eurasia Group	6.29
9	Ke Ling	Gemdale	6.07
10	Wenzhi Tan	Shenzhen Kaifa Technology Co.,Ltd.	6.01

Data Source: annual report of listed companies in 2012

Table 2: Executives and staff salary of Chinese listed companies from 2006 to 2011

Year	2006	2007	2008	2009	2010	2011
The average pay of executives (yuan)	780675.3	1318385	1220912.6	1412500	2058000	2514440
The average pay of staff (yuan)	25759	30367.7	34105.5	37675.8	42650.6	48719.5
Multiple	30.4	43.4	35.8	37.5	48.2	51.6

Data sources: (1) 《China Statistical Yearbook》, China statistical Publishing House, 2006, 2007, 2008, 2009, 2010, 2011; (2) Annual financial reports of state-owned listed companies disclosed by CSMAR.

Table 3 Data about different industry from 2006 to 2008

Unit: yuan

Year	2006	2007	2008
Agriculture, Forestry, Animal husbandry and Fishery	140926	183083	203793
Extractive Industry	220925	317917	361323
Manufacturing	221463	316278	338642
Electricity, Gas and Water Production and Supply Industry	307306	461405	437020
Building Industry	253397	303840	322885
Transportation and Warehousing	260325	380335	363275
Information Technology Industry	278093	327443	390062
Wholesale and Retail Trade	297560	393061	430887
Finance and Insurance	805069	2296307	1915536
Real Estate	270387	359840	508974
Social Services	383899	446910	452108
Communication and cultural industries	208561	351262	453644
General Field	226206	311536	433191

Data sources: Xiaozhu Zhou. Research about the effectiveness of the executive compensation structure of Chinese listed company [D]. Jilin: Northeast Normal University. 2010, 19 - 20.

Table 4 Regional statistics of executives' compensation

Unit: yuan

Regions	Average of the top three executives' compensation	Average of all executives' compensation	Number of Enterprises
D1	284559	102864	295
D2	192883	74322	166
D3	132757	53434	128
D4	171333	70925	60
D5	163535	64204	196

Source: annual report of listed companies in 2004

Note: D1 is the companies which their registration place are affiliated with Beijing, Tianjin, Shanghai, Guangdong, Zhejiang; D2 is affiliated with Fujian, Jiangsu, Shandong, Liaoning; D3 is affiliated with Heilongjiang, Jilin, Xinjiang, Hainan, Hubei, Hebei; D4 is affiliated with Anhui, Sichuan, Guangxi, Chongqing, Hunan, Jiangxi, Mongolian, Henan, Shanxi, Yunnan, Tibet; D5 is affiliated with other regions.

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