

An Analysis on the Implementation Path of Employee Stock Ownership System in State-owned Enterprises Based on the Perspective of Technological Innovation

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Abstract: Technological innovation is the core factor of economic development and the source of competitiveness of state-owned enterprises. Based on the innovation-driven development strategy, employee stock ownership has become an important link in the reform of state-owned enterprises, and the employee stock ownership system of state-owned enterprises is of great significance for the innovation and development of enterprises. Employee stock ownership system is a kind of long-term salary incentive, which has been developed for decades in China. This system arrangement enables employees to participate in the production process as shareholders and laborers. Scientific and reasonable employee stock ownership system not only improves the welfare of employees, but also helps to enhance the innovation performance of enterprises. In view of this, this paper starts with the relevant theories of the employee stock ownership system, and on this basis, elaborates the role of the employee stock ownership system in promoting the technological innovation of state-owned enterprises. Finally, based on the actual situation and from the perspective of technological innovation, it puts forward the implementation path of the employee stock ownership system of state-owned enterprises.

Keyword: technological innovation; state-owned enterprises; employee stock ownership system

1. Introduction

The employee stock ownership system originated in the United States, and since then, many enterprises in western countries have followed suit and implemented the employee stock ownership system. In China, the employee stock ownership system started late and has not been fully developed. After the trial, practice and summary of the reform of different state-owned enterprises, the employee stock ownership system has laid a certain foundation for the promotion of the employee stock ownership system. It is generally believed that employee stock ownership system is the primary content of the reform of state-owned enterprises. Through employee stock ownership, employees can participate in the production process as shareholders and laborers, and become a unified carrier of labor and capital, so that employees' interests are closely linked with the interests of enterprises, and employees and enterprises share benefits and risks. As a long-term incentive mechanism, ESOP can activate the source power of enterprises and stimulate the innovation potential of scientific and technological personnel. A scientific and reasonable ESOP can not only promote the innovation of enterprises, but also contribute to the improvement of economic benefits of enterprises. Based on the innovation-driven development strategy, innovation is the source of sustainable development and competitiveness of enterprises, and technological innovation is the key way of economic growth. In this context, it is of great practical significance to discuss the effect of employee stock ownership system in the technological innovation of state-owned enterprises and the implementation path of employee stock ownership system based on the perspective of technological innovation.

2. Relevant Theories of Employee Stock Ownership System

The so-called employee stock ownership means that the employees of the enterprise hold the shares of the enterprise. Employee stock ownership system originated in the United States, and was later accepted and adopted by other countries in the world. Employee stock ownership system is a long-term incentive mechanism, which makes employees' interests closely linked with the interests of enterprises. The development of employee stock ownership system is not achieved overnight. It has laid a certain foundation for the promotion of employee stock ownership system. In general, a scientific and reasonable employee stock ownership system can enhance the enthusiasm of employees and improve the innovation performance of enterprises, and a widely practiced employee stock ownership system can alleviate the phenomenon of income inequality and excessive gap.

There are various types of employee shareholding models in state-owned enterprises. According to different standard classification, employee shareholding models are divided into different types.

The first is the equity incentive model. The equity incentive model grants employees part of the shares with reference to the current market price of the shares and comes with certain restrictive conditions, restricting employees to sell the shares within a specified period of time. If the performance of the employees meets the conditions during the working period, the shares can be sold for profit, and the shares can be transferred or repurchased by the enterprise when the employees leave. The advantage of this model is that it can maximize the enthusiasm of employees and enthusiasm for the enterprise, but the disadvantage is that it is easy to produce equity disputes. This incentive model is mostly used in the early stage of the establishment of enterprises.

The second is the option stock incentive model. The stock option incentive model belongs to the category of option, which grants the operator to buy a certain number of circulating shares at a predetermined price within a certain period in the future. After meeting the exercise conditions stipulated in the incentive, the operator can choose to exercise or give up the right to purchase shares at maturity. The advantages of this incentive mode are as far as the incentive object is concerned, the operation is simple, only the capital subscription needs

to be paid when the right is exercised, which reduces the incentive cost for the enterprise. However, the disadvantage is that the equity liquidity is poor under the option incentive model, which is easy to lead to the internalization tendency. This incentive model is suitable for enterprises in the growth stage.

The third is the virtual equity incentive model. In a sense, virtual equity incentive belongs to the category of labor incentive. This incentive model grants employees a virtual stock, through which employees share part of the surplus value but do not have the right to manage the enterprise. Employees can share the rights and interests of the appreciation of virtual stock and the rights and interests of the enterprise dividend. The advantage of this mode is that it can play a long-term effective role in stimulating and restricting employees, but the disadvantage is that the value of virtual stock is difficult to evaluate, and there are certain difficulties in objectively and accurately evaluating the value of virtual stock. This incentive mode is only common when the economic benefits of enterprises are good.

3. The Role of Employee Stock Ownership System in Promoting Technological Innovation in State-owned Enterprises

As the main force of the national economy, state-owned enterprises play a positive role in innovation-driven development. The effective implementation of the employee stock ownership system helps state-owned enterprises play a leading role in technological innovation. Under the mechanism of “benefit sharing and risk sharing”, Employee stock ownership system can promote the innovation input of state-owned enterprises, reduce the risk of innovation, enhance the spirit of cooperation among employees and stimulate the willingness of employees to innovate.

(1) The Implementation of Employee Stock Ownership System is Conducive to Strengthening the Cooperative Spirit of Employees and Reducing the Risk of Enterprise Innovation

Employee stock ownership system allows employees to participate in the production process as shareholders and workers, and becomes a unified carrier of labor and capital, so that the interests of employees and the interests of enterprises are closely tied together. Under the mechanism of “benefit sharing and risk sharing”, based on the signal transmission theory, the employee stock ownership system conveys the signal of “all employees are a community”, which is conducive to strengthening the spirit of solidarity and cooperation among employees and establishing a strong corporate culture. When employees hold corporate shares, they will form a bond with the enterprise and regard the long-term development of the enterprise as their “duty”. Fully devoting oneself to the innovation activities of enterprises and supporting enterprises in innovation investment, which can improve the ability of enterprises to cope with opportunities and challenges, reduce the risks of enterprises’ innovation, and lay the foundation for the innovation and development of enterprises.

(2) The State-owned Enterprises that Implement the Employee Stock Ownership System Have a Low Turnover Rate of Professional Talents and a High Willingness of Employees to Innovate

Due to the lack of long-term incentives for professionals in state-owned enterprises and the single incentive means, the loss of professionals, especially the backbone of science and technology, is a serious problem. Retaining professionals and stimulating their innovation potential is an important way for the sustainable development of state-owned enterprises in the future. The implementation of scientific and reasonable employee stock ownership system is the key to reduce the turnover rate of professional talents in state-owned enterprises. On the one hand, the implementation of employee stock ownership system closely links the personal interests of employees with the long-term performance of enterprises, increases the cost of employees leaving enterprises, and reduces the turnover rate of professional talents to a certain extent. On the other hand, under the guidance of “benefit sharing and risk sharing”, employees will truly accept the enterprise from the heart and regard the enterprise as “our enterprise”, and are more willing to actively participate in the innovation activities of the enterprise, and the innovation willingness of employees is enhanced.

4. The Implementation Path of Employee Stock Ownership System in State-owned Enterprises from the Perspective of Technological Innovation

(1) Improve the Internal Governance Mechanism of State-owned Enterprises, and Design Reasonable Employee Stock Ownership Plans

On the one hand, the implementation of the employee stock ownership system in state-owned enterprises cannot be separated from the sound external environment created by the sound capital market mechanism; on the other hand, the smooth implementation of the employee stock ownership system cannot be separated from the sound internal governance mechanism of the enterprise. Only when the internal governance of state-owned enterprises develops healthily can the orderly promotion of the employee stock ownership system be guaranteed. The core content of employee stock ownership plan design is the determination of stock ownership ratio and the setting of equity incentive scope. When formulating employee stock ownership plan, state-owned enterprises should elaborate the specific implementation of the stock ownership plan, the amount of equity grant, and the rules of income distribution, etc., which should not only uphold the principles of fairness, openness and justice, but also take into account the future technological innovation and development of enterprises. In order to implement the plan smoothly, state-owned enterprises should strengthen the publicity and implementation of the plan on the basis of formulating the plan of employee stock ownership, and promote the implementation of the plan in an orderly manner.

(2) Establish the Elastic Adjustment Mechanism of Equity to Make it Play the Incentive Role Efficiently

A scientific and reasonable employee stock ownership system needs to establish a flexible equity adjustment mechanism. This flexible adjustment mechanism makes the number and proportion of employees’ stock ownership closely related to their job responsibilities and performance under the condition that the company’s position and performance are set according to the company’s position, and the number

of shares will change if the employee's position changes. At the same time, the number of shares is linked to performance, and the number of shares is adjusted timely with the performance of employees. Once the employee leaves the enterprise, the shares are withdrawn accordingly. The elastic adjustment mechanism of stock ownership helps to give play to the incentive effect of employee stock ownership, and finally makes the incentive mechanism of employee stock ownership play an efficient role. In this way, it not only satisfies the pursuit of employees to maximize their own interests, but also ensures the future innovation and development of enterprises.

(3) We Will Establish a Hierarchical Incentive Mechanism for Professionals and Actively Promote the Reform of State-owned Enterprises

The technological innovation of state-owned enterprises is highly dependent on professional talents. In order to actively promote the reform process of state-owned enterprises, employee stock ownership is the key content of the reform of state-owned enterprises. In the process of implementing the employee stock ownership system, a hierarchical incentive mechanism for professional talents should be established to mobilize the backbone technical forces at all levels. Core employees at different levels, including professional and technical personnel, core management and sales backbone, shall be incentivized by layers, further breaking the traditional salary system, building diversified incentive rewards, increasing incentives for professionals, and mobilizing the enthusiasm and creativity of outstanding core employees. In this way, it is easy to form a cooperation mechanism of "sharing the same breath and sharing the same fate" between professionals and enterprises. Finally, a strong innovation force will be formed to actively promote the reform process of state-owned enterprises.

(4) According to the Characteristics and Development Status of State-owned Enterprises, the Performance Appraisal Standards of Employee Equity Incentive are Refined

When state-owned enterprises implement the employee stock ownership system, in order to make the employee stock ownership system effectively stimulate technological innovation of enterprises, they should also refine the performance appraisal standards of employee stock ownership incentive based on their own characteristics and development status to ensure its implementation. Due to the differences in innovation input and means of state-owned enterprises of different sizes, the innovation effect is different, and the more detailed the performance appraisal standards are. The more clear the scope of the rights and responsibilities of the incentive object, the more significant the incentive function of the employee stock ownership system will be. When setting up the performance evaluation standard of equity incentive, we should avoid not only the performance evaluation standard is too high and difficult to popularize and apply, but also avoid the performance evaluation standard is too low. Only by determining the appropriate performance appraisal standard of equity incentive can we ensure that the incentive function of employee stock ownership system is really implemented.

5. Conclusion

To sum up, technological innovation is the source of competitiveness of state-owned enterprises, and employee stock ownership system plays a positive role in technological innovation and development of state-owned enterprises. As a long-term incentive mechanism, employee stock ownership system can activate the source power of enterprises and stimulate the innovation potential of scientific and technological personnel. Scientific and reasonable employee stock ownership system can not only promote the innovation of enterprises, but also help improve the innovation performance of enterprises. From the perspective of technological innovation, in order to give full play to the incentive function of employee stock ownership system, state-owned enterprises should perfect the internal governance mechanism and design reasonable employee stock ownership scheme. According to the characteristics and development status of state-owned enterprises, refine the performance appraisal standards of employee equity incentive; Establish a flexible adjustment mechanism for equity ownership and a hierarchical incentive mechanism for professionals to actively promote the reform process of state-owned enterprises.

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