



# The Impact of Corporate Governance on Financial Performance in Aggressive Strategies - A Case Study of 3C Industry of Chinese Listed Companies

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## **Authors' contributions**

*This work was carried out in collaboration between both authors. Both authors read and approved the final manuscript.*

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## **ABSTRACT**

This paper selects the computer, communication, and other electronic equipment industry for the study from 2019 to 2021 to explore the impact of corporate governance performance on financial performance in the current period versus the next period under aggressive strategies. They are summarized as five research findings. The first is, good corporate governance performance has a positive and significant impact on the financial performance of both the current and the future. Secondly, the greater the growth of company revenue has a positive and significant impact on the financial performance of the current period, and the more stable the organizational structure of the company has a negative and significant impact on the financial performance of the current period. The joint effect of increasing the number of employees and better corporate governance will have a significant effect on the current year's financial performance; the joint effect of less capital-intensive

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and better corporate governance also has a positive and significant association with the current year's financial performance. The third is, the increase in the number of employees has a positive and significant effect on the current year's financial performance but does not have a significant effect on the following year's financial performance, however, the more the number of employees and better corporate governance. The fourth is, the greater the expansion of the organization, the more it has a significant negative impact on the financial performance of both the current year and the following year, but with good corporate governance, the negative impact can be eliminated in the following year. The fifth is, the smaller the capital intensity, the less it has a significant impact on the financial performance of the current year, but if the capital intensity is small and the corporate governance is good, it has a significant impact on the financial performance of the current year. However, if the capital intensity is small and the corporate governance is good, it has a positive and significant impact on the financial performance of the current year; the smaller the capital intensity, the negative and significant impact on the financial performance of the next year; but if the corporate governance is good, it will turn the negative and significant impact into a positive and significant impact. This paper also makes recommendations based on the findings of the study.

*Keywords: Corporate governance; strategic aggressiveness; financial performance.*

## 1. INTRODUCTION

In recent years, the debt crisis of Evergrande Group, a listed company, has broken out. The company has expanded in a crazy and aggressive way since 2017, and its stock price has reached a historical peak. According to Evergrande Group's 2021 annual financial report, the debt ratio has reached 152.9%. The expansion behavior that invested a lot of manpower and financial resources in the past has dragged down the company's operations. Now the company has formalized a series of debt restructuring plans. There is also the 2020 Luckin Coffee financial report fraud incident. The company was established in March 2018. As of the first half of 2022, the number of stores has reached 7,195 in just four years. However, in 2020, the company has experienced financial fraud. The event of inflated income shows that the original expansion benefits are not as expected, so financial fraud is used to stabilize the confidence of investors and creditors. Such behavior has caused the company to be punished by regulatory agencies and damage the company's image. The expansion of an enterprise is a major investment decision, which requires the approval of the board of directors and the stable financial support of shareholders. Therefore, judging from the above two cases, if there is a good corporate governance foundation before the company expands, the final result may be completely different.

Considering that the rapid expansion of Evergrande Group and Luckin Coffee has led to a major situation in the company's operations,

when the company is actively expanding, it is easy to lose control. How should the company's board of directors and senior management respond to and take measures at this time? Can the corporate governance mechanism effectively help achieve expansion benefits when the company's strategy is radically expanded? This paper will empirically explore whether corporate governance can help enhance the benefits of expansion behavior and improve financial performance in the performance of strategic aggressiveness. Most of the relevant literature that has been consulted currently focuses on the relationship between governance mechanism and financial performance, or the relationship between strategic model and financial performance. No literature has been found that fully discusses the three. Each of the six elements of strategic aggressive performance is set as a separate variable for more in-depth analysis, and considering that the effectiveness of corporate governance may have a lag, a one-year lag test is also carried out, which is expected to make the research contribution more complete and relevant. We expect to make research rigorous and provide more complete contributions.

## 2. LITERATURE REVIEW

### 2.1 Definition and Function of Corporate Governance

Wu [1] opined that the corporate governance structure refers to the organizational structure composed of the company's owner, senior managers and board of directors. In this

structure, the three form a certain check and balance relationship. The owners entrusts their assets to the board of directors. The board of directors has the power to hire, reward, punish and dismiss senior managers. Senior managers are hired and the board of directors forms an executive body under the leadership of the board of directors, and operates the company within the scope of the board of directors. Lin [2] regarded the corporate governance organization as a complete set of institutional systems in which the owner of an enterprise supervises the business operation and management, and then controls the performance of the enterprise. Zhu [3] argued that in a broad sense, corporate governance is a discipline that studies how the power distribution of enterprises presents a reasonable and effective trend, and how to make enterprises continue to operate for a long time. It is a subject of how the ownership owners of the enterprise select and hire the senior managers and give them certain powers, while supervising and restricting their behavior. Zhang and Xu [4] defined corporate governance as the sum of systems within the company consisting of an incentive system and a restraint system. This system is used to adjust the relationship between the shareholders and other stakeholders, form a system of checks and balances to achieve scientific decision-making and ensure the healthy, reasonable and effective operation and development of the enterprise. However, due to differences in human conditions and values in different countries, if the same corporate governance behavior is adopted, it will lead to different corporate performance. In countries with a relatively complete market system, the government needs to formulate different governance policies according to local conditions.

The study by Li et al. [5] shows that effective corporate governance can promote the performance of commercial banks and help banks cope with a series of uncertain risks such as financial crisis, systemic risk and negative externalities, which have a negative impact on performance. Sun and Zhang [6] found that the more perfect corporate governance is, the greater the impact it has on corporate financial performance under its interaction with corporate social responsibility based on the sample of Chinese listed heavily polluting industries. Yang [7] conducted an empirical study using 435 listed companies in Chinese listed companies as samples. The results show that under the interaction of corporate governance and

corporate social responsibility, the corporate financial performance will be better.

## **2.2 The Definition of Strategy and Strategic Aggressiveness Evaluation Model**

Feng [8] argued that corporate strategy has a profound influence and planning effect on the survival and development direction of an enterprise, and solves the three major problems of " what to do ", " why to do it " and " how to do it " in operation, which is related to whether the core competitiveness, productivity and corporate performance of the enterprise can be improved. Yang [9] believed that corporate strategy has the characteristics of solving how the company will continue to develop in a complex environment in the future and actively changing the status quo of the company, and it is also a corporate behavior that links the long-term interests of the company with the challenges of the environment. Xu [10] believes that corporate strategy is the development idea of the enterprise, the understanding of the problems and solutions it faces, also the action plan and strategy simulation of the enterprise, which stipulates the development direction of the enterprise, and is also the resource allocation method of the enterprise. In summary, looking at the definition of strategy by many scholars, it can be seen that corporate strategy is the overall strategy adopted by the enterprise to timely select and adjust the decision-making suitable for the company, develop core competitiveness, and obtain competitive advantages according to the changes in the internal and external environment, according to its own development situation and strength. Corporate strategy has a profound impact on financial decisions in the long-term.

Currently, the most widely used evaluation model for the aggressiveness of corporate strategy is the model developed by Bentley et al. [11]. The indicators in the model include the company's R&D and innovation tendency, the company's production efficiency, the company's growth, and the company's expansion tendency, the stability of the organizational structure and the capital density of the company. Fang [12] posit that the capital structure is negatively affected by the strategic aggressiveness of retail enterprises, and operating risk plays a mediate role between the strategic aggressiveness and capital structure of retail enterprises. The higher the strategic aggressiveness, the greater the

operating risks. Moreover, the assets and liabilities the lower the rate is; with the increase of strategic aggressiveness, the asymmetry with external information also gradually increases.

### **2.3 Corporate Governance and Financial Performance**

Zhang and Song [13] studied the impact of controlling shareholder equity pledges on financial risk and tested the role of corporate governance in the relationship between the two. The research shows that listed companies with controlling shareholders' equity pledges are more likely to face "control transfer" risk, so the financial risk is relatively higher, and the larger the pledge size, the more likely it will lead to a higher financial risk. At the same time, the three indicators of the proportion of independent directors, the degree of ownership concentration, and the degree of equity balance can alleviate the positive correlation between the controlling shareholder's equity pledge and financial risk. Zhang's [14] research shows that corporate governance can affect the investment structure, and the impact on non-state-owned enterprises is more significant; the improvement of corporate governance reduces the principal-agent cost and improves the efficiency of asset use, thus ultimately promoting the improvement of business performance. Dan [15] found that due to the long production cycle of physical enterprises, the large scale of capital occupation, and the reduction of profit margins, many enterprises have invested funds that should have been invested in the main business instead of financial assets. It is difficult for a real enterprise to obtain considerable profits and maximize shareholder profits if it is used to develop its main business after obtaining financing. The "optimization and upgrading" of the company is the so-called "moving from the real to the virtual". The improvement of innovation efficiency can significantly inhibit the degree of financialization of enterprises, thus playing a better leading role in "returning from the virtual to the real". "Getting rid of the virtual and returning to the real" has a better leading role. Wang and Qian [16] argued that the rule of law environment is an important institutional environment that affects business operations, and corporate governance is the micro-foundation for business growth. The cross-item between environment and corporate governance has a significant positive relationship. Lu [17] studied the moderating effect of corporate governance on the relationship between corporate sustainable

development performance and corporate financial performance and found that companies with stronger corporate governance will have higher sustainable development performance and higher financial performance.

According to the above literature, the first research hypothesis can be summarized as follow:

H1: Corporate governance has a positive impact on financial performance.

### **2.4 Strategic Aggressiveness and Financial Performance**

Guo et al. [18] research shows that the aggressiveness of corporate strategy affects the decision-making of credit rating. The more aggressive the strategy, the lower the credit rating of its main body; the company's operating risk and agency risk are part of the intermediary of the impact of strategic aggressiveness on credit rating; The closer the target is to the credit rating agency, the greater the impact of strategic aggressiveness on credit rating. Zhai et al. [19] showed that the more aggressive the corporate strategic positioning, the shorter the debt maturity structure, and the increase in environmental uncertainty and executive power can strengthen the negative impact of corporate strategic aggressiveness on the debt maturity structure. In a more aggressive state of corporate strategy, the result of the game between shareholders, creditors, and management is that more short-term debt financing can reduce corporate information asymmetry and agency costs by increasing liquidity risks, which is also conducive to a corporate aggressive strategy. Adjust the capital structure flexibly and reduce financing costs.

To sum up the above literature results, the second research hypothesis is as follows:

H2: Strategic aggressiveness has a negative impact on financial performance.

### **2.5 The Relationship between Strategic Aggressiveness and Corporate Governance**

Chu's [20] research shows that different corporate strategies will lead to different cash-holding decisions. The more aggressive the corporate strategy, the higher the level of cash holdings, the higher the holding value, and the

stronger the competitive effect. When the economic policy uncertainty is more serious or the economic policy is more uncertain, companies that adopt aggressive strategies will further increase their cash holdings. Yang and Li [21] showed that the more aggressive the strategy of the enterprise, the more serious the financing constraints are, that is, the higher the strategic aggressiveness, the more serious the manager's camouflage behavior, which intensifies the financing constraints. Shaikh & O'Connor [22] research shows that the uncertainty of the institutional environment has a very obvious impact on radical innovation. The uncertainty of the institutional environment promotes radical innovation in enterprises in transitional economies. In an uncertain environment, enterprises are more inclined to emphasize strategic and financial control. At the same time, formal corporate governance has a positive impact on executives' emphasis on strategic control. Formal corporate governance encourages executives to pay more attention to long-term performance and strategic control to promote radical innovation.

According to the above literature research results, the third research hypothesis is summarized as follows:

H3: Corporate governance has a positive impact on the degree of strategic aggressiveness.

### 3. METHODOLOGY

After literature, this paper summarizes three research hypotheses: 1) Corporate governance has a positive impact on financial performance. 2) The degree of strategic aggressiveness has a negative impact on financial performance. 3) Corporate governance has a positive impact on strategic aggressiveness. Based on the aforementioned research hypotheses, the relationship between strategic aggressiveness, corporate governance and overall financial performance can be drawn as follows (Fig. 1).

Next, the research design is based on the relationship between corporate governance, strategic aggressiveness, and overall financial performance, including research samples and periods, sample sources and processing, research methods, model design, and the description of each variable.

Based on the country's emphasis on digital transformation in the post-COVID-19 era, this

paper selects the computer, communication, and other electronic equipment industries that account for the largest proportion of the digital industry as the research object, and considering that the research period covers before and after the COVID-19, it can reflect the different between COVID-19 period and normal period. Based on this consideration, the sample period is set as 2018-2021. The sample data is obtained from the CSMAR database. After the data is downloaded, the ST shares, stocks suspended from listing, those with incomplete data, and incomplete samples from 2018 to 2021 are removed first; then deleted extreme values, finally got a total of 408 samples; the research method is the Ordinary Least Square Method (OLS). The regression model is designed as follows:

Regression Model 1-1:

$$ROA_{it} = \beta_0 + \beta_1 CG_{it} + \beta_2 STRG_{it} + \beta_3 STRG * CG_{it} + \beta_4 SCALE_{it} + \beta_5 DEBT_{it} + \beta_6 SOE_{it} + \beta_7 AGE_{it} + \beta_8 CYEAR_{it} + \varepsilon_{it}$$

Regression Model 1- 2:

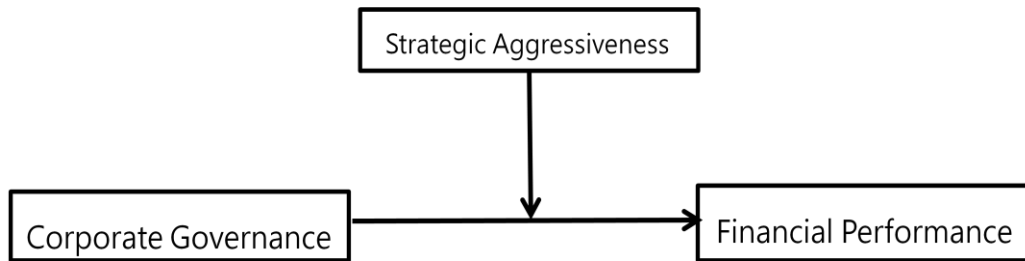
$$ROA_{it} = \beta_0 + \beta_1 CG_{it-1} + \beta_2 STRG_{it-1} + \beta_3 STRG * CG_{it-1} + \beta_4 SCALE_{it-1} + \beta_5 DEBT_{it-1} + \beta_6 SOE_{it-1} + \beta_7 AGE_{it-1} + \beta_8 CYEAR_{it-1} + \varepsilon_{it}$$

Regression Model 2-1:

$$ROA_{it} = \beta_0 + \beta_1 CG_{it} + \beta_2 RD_{it} + \beta_3 EMPS_{it} + \beta_4 REV_{it} + \beta_5 SEXP_{it} + \beta_6 EMP_{it} + \beta_7 PPE_{it} + \beta_8 RD * CG_{it} + \beta_9 EMPS * CG_{it} + \beta_{10} REV * CG_{it} + \beta_{11} SEXP * CG_{it} + \beta_{12} EMP * CG_{it} + \beta_{13} PPE * CG_{it} + \beta_{14} SCALE_{it} + \beta_{15} DEBT_{it} + \beta_{16} SOE_{it} + \beta_{17} AGE_{it-1} + \beta_{18} CYEAR_{it} + \varepsilon_{it}$$

Regression Model 2 -2"

$$ROA_{it} = \beta_0 + \beta_1 CG_{it-1} + \beta_2 RD_{it-1} + \beta_3 EMPS_{it-1} + \beta_4 REV_{it-1} + \beta_5 SEXP_{it-1} + \beta_6 EMP_{it-1} + \beta_7 PPE_{it-1} + \beta_8 RD * CG_{it-1} + \beta_9 EMPS * CG_{it-1} + \beta_{10} REV * CG_{it-1} + \beta_{11} SEXP * CG_{it-1} + \beta_{12} EMP * CG_{it-1} + \beta_{13} PPE * CG_{it-1} + \beta_{14} SCALE_{it-1} + \beta_{15} DEBT_{it-1} + \beta_{16} SOE_{it-1} + \beta_{17} AGE_{it-1} + \beta_{18} CYEAR_{it-1} + \varepsilon_{it}$$



**Fig. 1. The relationship between corporate governance, strategic aggressiveness, and overall financial performance**

The description of each variable:

1. Dependent variable: Referring to the practice of Iqbal et al. [23], this paper selects the total return on assets (ROA) as a substitute variable for financial performance.
2. Independent variable: The independent variable in this paper is corporate governance performance (CG). Based on the feasibility of data acquisition, we take the corporate governance evaluation model by Yang and Wu [24] as a substitute variable for measuring corporate

governance performance. This model divides corporate governance into two aspects of ownership structure and board structure for evaluation. The detailed calculation methods are listed in the follow (Table 1).

3. Moderate variable: According to Fig. 1, the moderate variable is the strategic aggressiveness (STRG). This study measure the strategic aggressiveness according to the Bentley et al. [11] model. The evaluation method is shown in Table 2.

**Table 1. Explanation of indicators in the corporate governance measurement model**

Variable	Definition	Calculation	Literature
<b>Board structure</b>			
Board size	Total number of director seats.	Sort from large to small, and calculate the percentile rank score, the closer the value is to 1, the better the governance mechanism.	Beasley [25] Yermack [26] Abbott et al. [27]
The general manager concurrently serves as a director or chairman	0 when the general manager is also a director or chairman, otherwise it is 1.	A value of 1 represents better corporate governance; a value of 0 represents poor corporate governance.	Boyd [28] Core et al. [29]
Setting up of independent directors	If there are independent directors in the company's board of directors, the value is 1, otherwise it is 0.	A value of 1 represents better corporate governance; a value of 0 represents poor corporate governance.	Beasley [25] Bedard et al. [30]
<b>Ownership structure</b>			
Shareholding ratio of the board of directors	The shares held by directors and supervisors divided by the outstanding shares at the end of the year.	Sort from small to large, calculate the percentile score of each company in the sample, and convert the value to a scale of 0-1, the closer the value is to 1, the better the governance mechanism	Jensen and Meckling [31]

Variable	Definition	Calculation	Literature
<b>Ownership structure</b>			
Shareholding ratio of external major shareholders	In Denis's [32], it was originally the ratio of non-major shareholders who hold more than 5% of the company's shares (not serving as directors, supervisors or management positions of the company). However, because the data cannot be obtained, according to the spirit of the original text, this article uses the degree of equity balance substitute.	Sort from small to large , calculate the percentile score of each company in the sample , and convert the value to a scale of 0-1 , the closer the value is to 1 , the better the governance mechanism	Denis [32]
Institutional investor shareholding ratio	Including self-operated traders, investment inside, outside investment and foreign investment.	Sort from small to large, and calculate the percentile rank score, the closer the value is to 1, the better the governance mechanism.	Shleifer and Vishny [33] Chung et al. [34]
Separation of two rights	Calculated based on the difference between share control rights and cash flow rights.	Sort from large to small, and calculate the percentile rank score, the closer the value is to 1, the better the governance mechanism.	Claessens et al. [35] La Porta et al. [36]
The 7 indicators for the above-mentioned board structure and ownership structure. Each indicator has a value between 0 and 1 according to the calculation method. The closer the total score is to 7, the better the governance mechanism is.			

**Table 2. Components of the strategic aggression model**

Variable	Meaning	Calculation
RD	Propensity of companies to innovate in R&D (R&D spending ratio)	The average value of the proportion of R & D expenditures in the main business income of enterprises in the past five years
EMPS	company productivity	The average value of the ratio of the number of employees to the main business income of the enterprise in the past five years
REV	company growth	The average value of the company's operating income growth rate in the past five years
SEXP	The company's propensity to expand	The average value of the ratio of sales expenses and administrative expenses to main business income of the enterprise in the past five years
EMP	Organizational Stability	The standard deviation of the number of employees in the past five years
The above-mentioned indicators are sorted from small to large and divided into five grades, from the smallest group to the largest group are given score 1, 2, 3, 4 and 5.		
PPE	Capital intensity (firm commitment to technological efficiency)	The average value of the ratio of fixed assets to total assets of the enterprise in the past five years
Divide the above methods into five grades, from the smallest group to the largest group, give score 5, 4, 3, 2 and 1.		

4. Intersection variable: In order to test the interaction effect of strategic aggressiveness and corporate governance, this paper sets corporate governance (CG) and strategic aggressiveness (STRG) as intersection variables (STRG\*CG); And in order to delve deeper into the different impacts of each element, the six elements of strategic radicalization are also multiplied by corporate governance. They are RD\*CG, EMPS\*CG, REV\*CG, SEXP\*CG, EMP\*CG and PPE\*CG respectively.
5. Control variables: In this paper, the company scale, the ratio of liabilities to assets, the age of the company, the nature of property rights, and the year severely affected by the COVID-19 are selected as control variables.
  - 5.1 Company scale (SCALE): Drawing on the research of Choi and Wang [37], the firm's scale has a significant impact on the financial performance. Therefore, this paper uses the total assets of the sample company as a proxy variable for the firm's scale.
  - 5.2 Debt-to-Asset Ratio (DEBT): Referring to the research of Margaritis and Psillaki [38], the debt ratio has a significant effect on financial performance, so this paper takes

the debt ratio as one of the control variables.

- 5.3 Company age (AGE): Coad et al. [39] pointed out that company age is significantly affected on company performance, so this paper chooses company age as one of the control variables.
- 5.4 Nature of property rights (SOE): According to Gao [40], state-owned enterprises are one of the characteristics of Chinese governance and have a significant impact on the financial performance. Therefore, this paper selects the nature of property rights as one of the control variables. If the sample company is state-owned Enterprise is set to 1, otherwise it is set to 0
- 5.5 The year severely affected by the COVID-19 (CYEAR): referring to the practice of Hsiao and Chen [41], this study sets the samples belonging to 2020 as a control variables, if it is the sample of 2020, it is set to 1, otherwise it is set to 0.

#### 4. RESULTS AND DISCUSSION

Firstly, descriptive statistics analysis is performed on all the variables in the regression model to make a preliminary judgment on the rationality of the regression model design and variable selection.

**Table 3. Descriptive statistics of current year samples (N=408)**

Variable	Min.	Max.	Ave.	SE.
ROA	-0.273	0.171	0.027	0.074
CG	1.033	5.232	2.857	0.933
RD	1.000	5.000	2.995	1.416
EMPS	1.000	5.000	2.995	1.416
REV	1.000	5.000	2.995	1.416
SEXP	1.000	5.000	2.995	1.416
EMP	1.000	5.000	2.995	1.416
PPE	1.000	5.000	3.005	1.416
STRG	10.000	26.000	17.988	3.708
RD*CG	-3.289	4.366	-0.105	1.360
EMPS*CG	-3.490	3.263	0.070	1.264
REV*CG	-3.065	4.366	0.232	1.321
SEXP*CG	-3.333	3.263	-0.265	1.277
EMP*CG	-2,670	3,810	0.286	1.301
PPE*CG	-4,099	3,772	-0.208	1,342
CTRL*CG	-10,688	9,387	-0.019	3,352
SCALE	19,931	25,828	22,437	1,253
DEBT	0.069	0.755	0.395	0.178
SOE	0.000	1,000	0.324	0.468
AGE	12,038	38.359	20.618	5.476
CYEAR	0.000	1.000	0.341	0.475

Note: For the definition of each variable, please refer to the description of variables in 3 Methodology



**Table 4. Descriptive statistics of one-year deferred sample (N=273)**

Variable	Min.	Max.	Ave.	SE.
ROA	-0.237	0.177	0.030	0.068
CG	1.027	5.232	2.874	0.932
RD	1,000	5,000	2,996	1,421
EMPS	1,000	5,000	2,996	1,421
rev	1,000	5,000	2,996	1,421
SEXP	1,000	5,000	2,996	1,421
EMP	1,000	5,000	2,996	1,421
PPE	1,000	5,000	3,004	1,421
CTRL	10.000	26.000	17.996	3.669
RD*CG	-3.341	4.473	-0.078	1.380
EMPS*CG	-3.436	3.164	-0.009	1.240
REV*CG	-2.959	4.473	0.265	1.330
SEXP*CG	-3.341	3.998	-0.256	1.283
EMP*CG	-2.644	3.938	0.278	1.292
PPE*CG	-3,998	3,702	-0.177	1,328
CTRL*CG	-11.032	11,987	0.011	3,463
SCALE	19,931	25,828	22,388	1,245
DEBT	0.070	0.757	0.398	0.180
SOE	0.000	1,000	0.344	0.476
AGE	11,986	38,359	20,092	5,411
CYEAR	0.000	1.000	0.509	0.501

Note: For the definition of each variable, please refer to the description of variables in 3 Methodology

From Table 3 and Table 4, it can be seen that the strategic performance of each sample company covers conservative to radical samples, and the average value is slightly higher than the median value, which also shows that the computer, communication, and other electronic equipment industries have developed relatively rapidly in recent years. The performance of corporate governance score is very different, and the performance of financial performance also includes loss and profit. Finally, we see that the operating conditions include company scale, company age, debt ratio, property rights, etc., and the scope is very wide, which shows that the

samples selected in this paper should be complete.

Before analyzing the empirical results, the rationality of the regression model design and variable selection is comprehensively evaluated. First, check whether the selected variables have obvious homogeneity, observe the VIF in Table 5 to Table 8, the highest is only 3.641, and all are lower than 10, indicating that the variables selected in the regression models have no obvious homogeneity; secondly, the F values in Table 4 to Table 7 are all significant, indicating that the regression model is predictive; the third

**Table 5. The empirical results of model 1-1 (N=408)**

	Coef.	t	Sig.	VIF
Con_	-0.397	-5.935	0.000 ***	
CG	0.007	1.967	0.050 **	1.075
STRG	-0.001	-0.858	0.391	1.086
STRG*CG	-0.001	-1.089	0.277	1.037
SCALE	0.022	6.983	0.000 ***	1.538
DEBT	-0.225	-10.540	0.000 ***	1.401
SOE	0.004	0.594	0.553	1.125
AGE	0.000	0.568	0.571	1.117
CYEAR	0.003	0.411	0.682	1.013
Adjusted R <sup>2</sup>	0.232			
F value	16.394***	Durbin-Watson	1.553	

Note 1: For the definition of each variable, please refer to the description of variables in 3 Methodology

Note 2:  $p \leq 0.01$ , the significance is \*\*\*,  $0.01 \leq 0.05$ , the significance is \*\*,  $0.05 \leq 0.1$ , the significance is \*

**Table 6. The empirical results of model 1-2 (N=273)**

	<b>Coef.</b>	<b>t</b>	<b>Sig.</b>	<b>VIF</b>
_	-0.168	-2.029	0.043 **	
CG	0.007	1,673	0.095 *	1,094
CTRL	-0.002	-1,515	0.131	1,070
CTRL*CG	0.001	0.700	0.485	1,050
SCALE	0.012	3,041	0.003 ***	1,643
DEBT	-0.153	-5,906	0,000 ***	1,463
SOE	0.008	0.914	0.361	1.146
AGE	0.000	-0.367	0.714	1.105
CYEAR	0.001	0.109	0.913	1.019
Adjusted R <sup>2</sup>	0.129			
F value	6.045***	Durbin-Watson	1.722	

Note 1: For the definition of each variable, please refer to the description of variables in 3 Methodology  
 Note 2:  $p \leq 0.01$ , the significance is \*\*\*,  $0.01 \leq 0.05$ , the significance is \*\*,  $0.05 \leq 0.1$ , the significance is \*

check is whether the residuals of the regression model are self-correlated, and the Durbin-Watson in Table 5 to Table 8 are all between 1.553 and 1.805, showing that the regression residuals have no obvious self-correlation.

The empirical results in Table 5 show that corporate governance performance has a positively significant impact on the current year's financial performance, but the degree of strategic aggressiveness, and the intersection of corporate governance and strategic aggressiveness have no significant impact on the current year's

financial performance. Table 6 shows that corporate governance performance still has a positively significant impact on the financial performance of one year deferred, while strategic aggressiveness and the interaction term of strategic aggressiveness and corporate governance have no significant impact on the financial performance of the deferred year. However, from the strategic aggressiveness evaluation model, it can be seen that the performance of strategic aggressiveness includes six aspects: R&D investment tendency, company production efficiency, company growth,

**Table 7. The empirical results of model 2-1 (N=408)**

	<b>Coef.</b>	<b>t</b>	<b>Sig.</b>	<b>VIF</b>
Con_	-0.291	-2.979	0.003 ***	
CG	0.003	0.957	0.339	1.155
RD	0.004	1.300	0.194	1.982
EMPS	0.001	0.231	0.817	1.881
REV	0.010	4.111	0.000***	1.248
SEXP	-0.011	-3.248	0.001***	2.490
EMP	-0.002	-0.490	0.624	2.553
PPE	-0.003	-1.157	0.248	1.718
RD*CG	-0.004	-1.354	0.176	1.982
EMPS*CG	0.008	2.413	0.016**	1.882
REV*CG	-0.002	-0.864	0.388	1.280
SEXP*CG	-0.001	-0.336	0.737	2.506
EMP*CG	-0.003	-0.881	0.379	1.557
PPE*CG	0.007	2.005	0.046**	2.135
SCALE	0.017	3.640	0.000***	3.521
DEBT	-0.213	-10.096	0.000***	1.496
SOE	0.007	0.913	0.362	1.189
AGE	0.001	1.639	0.102	1.206
CYEAR	0.002	0.315	0.753	1.032
Adjusted R <sup>2</sup>	0.299			
F value	10.625***	Durbin-Watson	1.617	

Note 1: For the definition of each variable, please refer to the description of variables in 3 Methodology  
 Note 2:  $p \leq 0.01$ , the significance is \*\*\*,  $0.01 \leq 0.05$ , the significance is \*\*,  $0.05 \leq 0.1$ , the significance is \*

company expansion tendency organizational structure stability, and capital intensity. These aspects will be different emphases in the expansion performance. Therefore, this paper sets the six components of strategic aggressiveness as separate variables and sets interaction terms with corporate governance to analyze under what form of expansion, corporate governance is more conducive to the improvement of financial performance. The empirical results and analysis are shown in Table 7 and Table 8.

It can be seen from Table 7 that when the six aspects of strategic aggressiveness are set as independent variables, corporate governance performance has no significant impact on financial performance, but the growth of the company in the strategic aggressiveness level, that is, the five-year average operating income growth rate has a significant impact on financial performance. The financial performance of the current year has a positive and significant impact, and the stability of the organizational structure, that is, the five-year average sales and management expenses accounted for the proportion of operating income has a negative and significant impact on the financial performance of the current year. The greater the increase in the number of employees, that is, the

greater the proportion of the five-year average number of employees to the turnover, and the joint effect of corporate governance performance will significantly improve the financial performance of the current year; the joint effect of smaller capital intensity and better corporate governance performance will also be related to Financial performance in the current year has a positive and significant relationship. Considering that the utility of corporate governance has a hysteresis, Table 8 will analyze the empirical results of the hysteresis test.

The empirical results in Table 8 show that although the increase in the number of employees in the strategic aggressive performance has a positive and significant impact on the financial performance of the current year as shown in Table 7, it has no effect on the financial performance of the next year. However, if the number of employees increases and the corporate governance performance is good, it will have a positive and significant impact on the financial performance of the next year, indicating that the expansion of personnel requires a good governance mechanism to enable employees to continue to play in their respective positions Benefits; secondly, Table 7 and Table 8 show that the greater the degree of expansion of the organization, that is, the greater

**Table 8. The empirical results of model 2-2 (N=273)**

	Coef.	t	Sig.	VIF
Con_	-0.130	-1.068	0.286	
CG	0.003	0.687	0.493	1.179
RD	0.005	1.340	0.181	2.332
EMPS	0.000	0.062	0.951	1.893
REV	0.004	1.334	0.183	1.258
SEXP	-0.010	-2.130	0.034**	2.995
EMP	-0.003	-0.587	0.558	2.607
PPE	-0.007	-2.147	0.033**	1.717
RD*CG	0.001	0.201	0.841	2.315
EMPS*CG	0.007	1.756	0.080*	1.844
REV*CG	0.002	0.456	0.649	1.392
SEXP*CG	-0.001	-0.201	0.841	2.918
EMP*CG	-0.005	-1.344	0.180	1.723
PPE*CG	0.007	1.748	0.082*	2.025
SCALE	0.010	1.806	0.072*	3.641
DEBT	-0.147	-5.697	0.000***	1.519
SOE	0.009	1.056	0.292	1.257
AGE	0.000	0.521	0.603	1.228
CYEAR	-0.004	-0.513	0.609	1.136
Adjusted R <sup>2</sup>	0.165			
F value	3.995***	Durbin-Watson	1.805	

Note 1: For the definition of each variable, please refer to the description of variables in 3 Methodology

Note 2:  $p < 0.01$ , the significance is \*\*\*,  $0.01 <= 0.05$ , the significance is \*\*,  $0.05 <= 0.1$ , the significance is \*

the proportion of the five-year average sales and management expenses to operating income, it has a significant negative impact on the financial performance of the current year and the next year. However, under the condition of good corporate governance performance, the negative impact can be eliminated in the next year; finally, although Table 7 shows that the smaller the capital intensity, that is, the smaller the ratio of five-year average fixed assets to total assets, the financial performance, but it has a negative and significant impact on the financial performance of the next year, indicating that although the short-term capacity burden of assets has no impact on short-term performance, if there is no continuous investment in new equipment, it will be harmful to long-term performance. But it can be seen from Table 7 that if the capital intensity is small and the corporate governance performance is good, it will have a positive and significant impact on the financial performance of the current year, indicating that there is a good governance mechanism and effective planning for the utilization of assets. It can also be seen from Table 8 that although it is helpful to short-term performance in the case of low capital intensity, it is harmful to financial performance in the long run. Under corporate governance, the original negative significant impact will be transformed into a positive significant impact.

## 5. CONCLUSIONS AND RECOMMENDS

This paper selects the computer, communication and other electronic equipment industries from 2019 to 2021 as the research object, and explores the impact of corporate governance performance on the financial performance of the current period and the next period under the circumstances of aggressive strategy. The research findings are explained as follows:

1. The better the corporate governance performance, the more positive and significant impact on the financial performance of the current year and the next year.
2. The greater the growth rate of the company's operating income, it has the more positive and significant impact on the current year's financial performance, and the more stable the company's organizational structure, it has the more negative and significant impact on the current year's financial performance. The joint effect of increasing the number of

employees and better corporate governance performance will significantly improve the current year's financial performance; the joint effect of smaller capital intensity and better corporate governance performance is also positively and significantly related to the current year's financial performance.

3. Although the increase in the number of employees has a positive and significant impact on the financial performance of the current year, it has no significant impact on the financial performance of the next year. However, the more the number of employee's increases and the performance of corporate governance is better, it will have a positive impact on the financial performance of the next year. Significantly affected.
4. The greater the expansion of the organization, the greater the negative impact on the financial performance of the current year and the next year, but in the case of good corporate governance performance, the negative impact can be eliminated in the next year.
5. The smaller the capital intensity, there is no significant impact on the current year's financial performance, but if the capital intensity is small and the corporate governance performance is good, it will have a positive and significant impact on the current year's financial performance; the smaller the capital intensity, the next year's financial performance will be significantly affected. Performance is a negative significant impact; but under good corporate governance, the original negative significant impact will be transformed into a positive significant impact.

Based on the above research findings, this paper proposes the following recommendations:

The computer, communication, and other electronic equipment industries are technology-intensive industries, and the level of service investment is significantly higher than that of labor-intensive and capital-intensive industries. This kind of industry requires higher-end service elements, coupled with factors such as rapid progress in information technology, high frequency of replacement, and the country's vigorous promotion of industrial digitalization, the sales model, design and development of products in the computer, communication, and

other electronic equipment industries. The improvement of production mode is more important than other industries. In recent years, the computer, communication, and other electronic equipment industries have grown steadily. In the case of rapid expansion, the governance mechanism is the basis for future development. According to the research conclusions of this paper, it can be seen that although aggressive strategies can bring short-term benefits, such as the growth of operating income, in the process of expansion, the change of the organizational structure must pay a considerable cost. Under the premise of perfect corporate governance, the increase of personnel can ensure that the talents can be used to the best of their ability, and the capital investment can also play the most effective role; however, the corporate governance through this article The empirical test found that there is a lag, so the company should not be too impatient in the construction of corporate governance, and must have a long-term business vision in order to make the company develop sustainably.

## COMPETING INTERESTS

Authors have declared that no competing interests exist.

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