THE IMPACT OF EQUITY INCENTIVES ON THE FINANCIAL PERFORMANCE OF GREE ELECTRIC APPLIANCES CO., LTD. OF ZHUHAI

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AN INDEPENDENT STUDY SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION
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This Independent Study Has Been Approved as a Partial Fulfillment of the Requirements for the Degree of Master of Business Administration

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ABSTRACT

In recent years, equity incentives have attracted widespread attention as a means to improve employee motivation and improve organizational financial performance. This study took Herzberg's two-factor theory as the theoretical framework and focused on the impact of equity incentives on Gree Electric's financial performance. The two objectives of this study were: 1) To explore the impact of motivation factors on financial performance; 2) To explore the impact of hygiene factors on financial performance.

This study selected Zhuhai Gree Electric Appliances Co., Ltd. in the home appliance industry as the research subject. The data were mainly obtained through a questionnaire survey. A total of 278 questionnaires were distributed in this study, and 260 valid questionnaires were collected. At the same time, this study used the quantitative research methods and used SPSS software to analyze the reliability, validity, and relevance of the survey data. Through the research and analysis of the survey data, this study found the following conclusions: 1) Motivation factors have a positive impact on corporate financial performance; 2) Hygiene factors have a positive impact on corporate financial performance.

In conclusion, companies should pay attention to both motivation factors and hygiene factors to maximize their effectiveness and ensure long-term financial success.

Keywords: equity incentives, financial performance, motivation factors, hygiene factors

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SHI KEYAO

DECLARATION

I, SHI KEYAO, hereby declare that this Independent Study entitled "The Impact of Equity Incentives on the Financial Performance of Gree Electric Appliances Co., Ltd.of Zhuhai" is an original work and has never been submitted to any academic institution for a degree.

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Chapter 1 Introduction

1.1 Background of the Study

The 21st century is the century of talent. If a company has top talent in the industry, it can be said that it has the future development of the industry. Talent competition is becoming an increasingly important part of corporate competition. Talent can promote the development of enterprises, and enterprises can help talents realize social value. How to cultivate and retain core talents, establish and develop a long-term, benign, mutually beneficial relationship between talents and enterprises is gradually becoming a basic strategy for corporate development. The equity incentive system also came into being in response to such needs.

In the 1950s, American listed companies used equity incentives as a long-term salary incentive system in their management activities in order to motivate employees (Smith, 1995). Since the 1990s, Chinese companies have begun to adopt equity incentive plans, and since then, various companies have continued to explore the application process of equity incentive plans (Wang, 2003).

In December 2005, China's Securities Regulatory Commission issued the "Management Measures for Equity Incentives of Listed Companies", marking the formal establishment of China's equity incentive mechanism. Equity incentives are to give some employees a certain number of stocks at a price lower than the market price in advance, and to distribute part of the company's equity or dividend rights to company employees, so that they can share risks and profits at the same time. It is expected that after obtaining part of the company's equity or dividend rights, the company's employees will become part of the company's shareholders, and form a bond between their personal interests and the company's business development, give full play to the employees' subjective initiative, contribute more to the company, realize more self-value, and help the company achieve its profit goals, so as to achieve the goal of maximizing corporate value (China Securities Regulatory Commission, 2005).

The home appliance industry is the fastest growing, most competitive and most thoroughly internationally integrated traditional industry in China in the past 30 years (Zhang, 2015). After years of development, China's home appliance industry has grown from an industry with a weak foundation and an annual output value of only 860 million yuan to the world's third largest home appliance production country, and its achievements have attracted worldwide attention (Li, 2018). As the domestic economic environment improves, the per capita disposable income of residents nationwide has steadily increased, suggesting an increase in the consumption level of Chinese residents and an expansion of purchasing power (Wang, 2019) .However, for the current domestic home appliance companies, they are not sitting back and relaxing. They are facing an unfavorable situation of transformation and upgrading, internal and external troubles, and the competition among major companies is also intensifying. Against this background, many home appliance companies have chosen to adopt equity incentive plans in an attempt to mobilize the enthusiasm of senior executives and core technical personnel, thereby improving the company's performance (Sun, 2022).

As one of the leading enterprises in China's home appliance industry, the practice of equity incentives of Gree Electric Appliances Co., Ltd. of Zhuhai (hereinafter referred to as "Gree Electric") deserves in-depth discussion (Li, 2016). Gree Electric was founded in 1991 and started as an air conditioner manufacturer. After years of development, it has become a world-renowned home appliance manufacturer. In the process of development, facing the changes in the market environment and the challenges of internal management, the company gradually realized that the traditional salary system could not effectively motivate employees, especially in terms of the incentives for senior executives and core technical talents. Equity incentives have become an effective choice (Zhang, 2017). In order to respond to the call of the state's equity split reform and solve the problem of the company's own imperfect share structure, Gree Electric has set out to optimize the company's internal share structure. So far, Gree Electric has announced multiple equity incentive plans (Wang, 2020). However, in 2021, Gree Electric's stock price continued to fall after the announcement of the first phase of the employee stock ownership plan, which aroused widespread discussion among investors (Chen, 2021).

This study, through an in-depth analysis of the Gree Electric case, not only provides a reference for other home appliance companies, but also provides empirical support for academic research in the field of equity incentives. At the same time, the research results will also provide a reference for policymakers to help them optimize the incentive mechanism while promoting corporate development.

1.2 Questions of the Study

1.What is the impact of motivational factors on financial performance?

2.What is the impact of hygiene factors on financial performance?

1.3 Objectives of the Study

1. To explore the impact of motivation factors on financial performance.
2. To explore the impact of hygiene factors on financial performance.

1.4 Scope of the Study

This study focused on the equity incentive plan implemented by Gree Electric Appliances. The company has implemented multiple equity incentives so far, and the sample data is relatively rich. The study used the quantitative analysis to evaluate the relationship between the independent variables (i.e., motivational factors and hygiene factors) and the dependent variable (financial performance). A questionnaire survey was used to collect data, covering employees' perceptions and feedback on the equity incentive plan. By focusing on this specific company, the study aimed to provide a nuanced insight into the effectiveness of equity incentives and their role in shaping financial performance. Through this extended introduction, the study laid a clear foundation for analyzing the complexity and dynamics of equity incentives, ultimately contributing to a better understanding of their impact on corporate success.

1.5 Significance of the Study

1.5.1 Theoretical significance

The theoretical significance of this study is to enrich the research literature on the relationship between equity incentive mechanism and corporate financial performance based on the two-factor theory. Although many studies have explored the impact of equity incentives on financial performance, empirical research on specific corporate cases is still relatively limited. Through an in-depth analysis of the equity incentive plan and financial performance of Gree Electric Appliances, Inc. of Zhuhai (hereinafter referred to as "Gree Electric"), this study not only provides a case study with an empirical basis for the academic community, but also provides a new perspective for understanding how different design elements (such as the structure, coverage and redemption rate of incentive plans) affect corporate financial performance. In addition, the study will explore the implementation background of equity incentives and their effects in actual operations, laying the foundation for the further development of related theories. Through this study, the academic community can have a deeper understanding of the mechanism of equity incentives and provide an important reference for future research.

1.5.2 Practical significance

This paper studies the impact of Gree Electric's equity incentive on corporate financial performance under the dual-factor theory, which has practical application significance. Enterprises implement equity incentive systems in order to ease the contradictions between corporate owners and operators, and also hope to improve the work enthusiasm and work efficiency of corporate employees, so that personal interests and corporate interests are highly consistent, thereby improving corporate financial performance. Most researchers believe that a scientific and reasonable equity incentive plan can play a certain positive role in corporate financial performance. At present, Chinese companies are not mature in implementing equity incentive systems. Due to differences in national conditions and macroeconomic environments, some advanced equity incentive plans in other countries cannot be fully applied to Chinese companies. The study of the impact of Gree Electric's equity incentive system on corporate financial performance, the discussion of the relationship between equity incentives and corporate financial performance, and the improvement of its equity incentive plan are of great significance to the implementation of equity incentives by enterprises to promote financial performance, so that equity incentives can play a role in maximizing value. In addition, policymakers can draw on the conclusions of this study to promote the formulation of incentive policies that are more conducive to the long-term development of enterprises, thereby promoting the development of the overall economy. Therefore, the study not only has the value of theoretical discussion, but also provides important guiding significance for the practical application of enterprises.

1.6 Definition of Key Terms

(1) Equity incentives: Equity incentives are designed to motivate employees by granting them equity, turning employees who used to be in an employment relationship into stakeholders of the company, and allowing their income to fluctuate directly under the influence of the company's performance. From the perspective of the company, the selection of incentive targets must be targeted at those employees who can have a significant impact on the company's economic benefits, such as corporate executives, core backbones, etc. In theory, this approach is to tie executives, core backbones, etc. together with the company to form a community of interests. The purpose of implementation is to hope that the incentive targets can be based on the long-term benefits of the company and reduce their short-sighted behavior to a certain extent.

(2) Financial performance: Financial performance usually refers to the financial performance of an enterprise over a certain period of time, reflecting the operating efficiency and profitability of the enterprise, and is an important basis for evaluating the health status and investment value of the enterprise. Indicators such as profitability, debt repayment ability, operating ability, and development ability can be selected to evaluate it.

(3) Motivation Factors: In the two-factor theory, satisfaction factors refer to factors that can satisfy and motivate people, that is, motivation factors. Motivational factors are related to the work itself or the content of the work, including achievement,

appreciation, the meaning and challenge of the work itself, sense of responsibility, promotion, development, etc.

(4) Hygiene Factors: In the two-factor theory, dissatisfaction factors refer to factors that are prone to produce opinions and negative behaviors, that is, hygiene factors. Hygiene factors include company policies and management, supervision, wages, relationships with colleagues, and working conditions. These factors are factors outside of work.

Chapter 2 Literature Review

2.1 Gree Electric Background

Zhuhai Gree Electric Appliances Co., Ltd. was established in 1991. It is a home appliance company that mainly produces air conditioners and related accessories. On November 18, 1996, Gree Electric was listed on the Shenzhen Stock Exchange with the stock code: 000651 (China Securities Regulatory Commission, 1996).

In recent years, with the acceleration of global economic integration and the diversification of consumer demand, competition in the home appliance industry has become increasingly fierce. Enterprises are facing the dual challenges of technological updates and market changes, and are in urgent need of enhancing their competitiveness through effective management and innovation mechanisms. In this context, Gree Electric realizes that human resources are the core driving force for the sustainable development of enterprises, and optimizing talent management and incentive mechanisms are the key to enhancing the core competitiveness of enterprises. To this end, since 2018, Gree Electric has begun to implement an equity incentive plan aimed at attracting, motivating and retaining outstanding talents through incentive mechanisms. The original intention of the design of this plan is to enhance employees' sense of participation and responsibility by closely integrating their interests with the company's long-term goals, thereby promoting the performance growth of the entire enterprise.

Gree Electric's equity incentive plan reflects its emphasis on talent. The incentive targets include not only senior management, but also middle management and key technical positions. The incentive method is mainly to grant stock options and restricted stocks. By setting clear incentive goals and performance evaluation indicators, equity incentives directly link employees' personal interests with the company's performance, prompting employees to work hard for the company's long-term development. Specifically, Gree Electric has set key performance indicators including sales revenue, net profit, market share, etc. in the equity incentive plan to ensure that the incentives are consistent with the company's overall strategic goals.

During the implementation process, Gree Electric adopted a hierarchical and phased approach to ensure the effectiveness and sustainability of the incentives. First, the company's senior management team occupies an important position in equity incentives, and their performance directly affects the company's development direction and strategic implementation. Secondly, middle-level managers and key position employees are also included in the incentive scope, and the corresponding equity incentive ratio and performance evaluation standards are set according to their respective job responsibilities and contributions. Such a design not only enhances employees' sense of belonging, but also enhances the cohesion of the team and forms a good internal competitive atmosphere (Gree Electric Appliances Co., Ltd., 2022).

In addition, Gree Electric also pays attention to the transparency of the incentive mechanism. During the implementation of the equity incentive plan, the company regularly announces the performance appraisal results and the implementation of the incentive plan to employees, and enhances employees' trust and sense of participation in the incentive mechanism through transparent information transmission. This transparent approach enables employees to clearly understand their own contributions and incentive results, thereby stimulating their enthusiasm and creativity in their work.

2.2 Equity Incentive

Ma (2020) pointed out that equity incentive is a long-term incentive mechanism implemented by enterprises to grant part of their equity to senior management or outstanding employees in order to motivate and retain core talents. Equity incentive can help enterprises achieve long-term goals of stable development, mainly by giving employees part of their shareholder rights with conditions, so that the interests of employees and shareholders converge, encourage employees to have a sense of ownership, give full play to their creativity, share profits and take risks with the company, thereby aligning the interests of employees and enterprises and maintaining the momentum of long-term stable development of the company. Commonly used equity incentive methods are as follows:

1) Stock options: Allows the incentive object to purchase a certain number of shares of the company at a predetermined price when the exercise conditions are met in the future, but the holder cannot transfer, mortgage the options or use them to repay debts.

2) Restricted stock: In order to achieve the predetermined performance, the company will give a certain number of stocks to the incentive object for free or at a low price. Only after the predetermined target is achieved can the incentive object sell the stock to obtain income; if the predetermined target is not achieved, the company will take it back or repurchase it at the original grant price. This type of stock has a certain lock-up period.

3) Virtual stock: The holder can participate in the company's dividends and enjoy the benefits brought by the rise in stock prices, but cannot trade virtual stocks. When the holder leaves the company, he loses this right. The performance of the company is closely related to the interests of the holder.

4) Performance stock: The company determines a more scientific and reasonable performance target at the beginning of the year. When the incentive object reaches the company's predetermined performance target at the end of the year, it will grant the incentive object a certain number of stocks or cash to purchase stocks. Performance stocks can only be redeemed after a certain period of time.

5) Stock appreciation rights: The company grants managers the right to enjoy the benefits of rising stock prices. This is a form of cash payment. After a certain period of time, the holder can enjoy the benefits generated by the increase in stock prices.

2.3 Financial Performance

Financial performance is a comprehensive reflection of the economic performance of an enterprise in a specific period. Common measurement methods include revenue, profit, return on assets (ROA) and return on equity (ROE). These indicators can not only reflect the profitability and financial health of an enterprise, but also provide important basis for management decision-making.

First, revenue is one of the most basic financial indicators. It represents the total amount of money earned by an enterprise in the process of selling goods or providing services. The growth of revenue is usually regarded as a reflection of the company's enhanced market competitiveness and business expansion (Koller et al., 2010). However, relying solely on revenue as a measure is not comprehensive because it fails to consider the impact of costs and expenses.

Second, profit is a more in-depth financial performance indicator. Common profit indicators include operating profit and net profit. Net profit reflects the profitability of an enterprise after deducting all expenses and is an important basis for evaluating the profitability of an enterprise (Brealey et al., 2011). Through profit indicators, management can evaluate the company's operating efficiency and cost control capabilities.

In addition, return on assets (ROA) and return on equity (ROE) are important indicators for measuring the efficiency of enterprise resource utilization. ROA measures the ability of a company to generate profits using its total assets and is usually used to evaluate the overall operating efficiency of a company (White et al., 2003). ROE, on the other hand, focuses on the return on shareholder investment and reflects the company's ability to create value for shareholders (Damodaran, 2010). These two indicators can help investors and management better understand the financial health and profitability of a company.

When choosing an appropriate financial performance measurement method, researchers should consider the industry characteristics and strategic goals of the enterprise. For example, the technology industry may focus more on revenue growth rate, while the traditional manufacturing industry may focus more on cost control and profit margin improvement (Kaplan & Norton, 1992).

In summary, there are many ways to measure financial performance, each with its own applicability. The combined use of these indicators can more comprehensively evaluate the financial performance of the enterprise and provide support for management decisions.

2.4 Equity Incentives and Financial Performance

After sorting out and summarizing the existing literature research, this paper will discuss from two perspectives: on the one hand, equity incentives are related to Financial Performance and can effectively promote the improvement of company value; on the other hand, equity incentives have no significant correlation with Financial Performance. Finally, this paper summarizes the research status and shortcomings of the existing literature, and based on this, puts forward the basis for this paper to focus on and study.

2.4.1 Equity incentives are related to financial performance

Using the least squares method, Barmhart and Rosenstein (1995) showed through research that the use of equity incentive plans to encourage executives to hold shares is nonlinearly related to corporate value, and that executive shareholding and corporate value influence each other.

By comparing the Dow Jones Stock Price Index and the Standard & Poor's Stock Price Index of companies in the United States that implemented equity incentives between 1992 and 1995 and those in the same industry that did not implement equity incentives, Blasi (1996) believed that implementing equity incentive plans can effectively enhance corporate value.

After obtaining the CEO compensation data of 478 large companies in the United States between 1980 and 1990, Hal and Liebman (1998) used the Black-Scholes model to study the relationship between executive compensation, equity incentive plans and company stock market value, and found that the correlation between stock market value and executive compensation was lower than the correlation between stock market value and equity incentive plans, indicating that equity incentives are conducive to the improvement of the stock market value of listed companies. The performance of the equity incentive plan implemented for the first time is positively correlated with the company's value, but after a period of implementation, that is, for the later equity incentive plans, the incentive effect is not very significant, that is, the stock option value of later listed companies is negatively correlated with the stock price (Aboody, 1996).

Through an empirical study of the corporate situation over the 15 years from 1992 to 2007, Boone (2011) concluded that although equity incentives for CEOs may reduce the quality of information disclosed by companies, equity incentives can still increase the capital cost of the company's equity and thus increase the company's value. Kuo et al. (2013) found that equity incentives can promote the improvement of corporate performance. Compared with companies with high profits, implementing equity incentives for companies with low profits is more conducive to improving performance.

Aboody et al. (2010) divided the stock options of senior executives into two reference groups based on whether they were repriced. The results showed that the companies that repriced their stock options had a significant improvement in financial performance. This result can be attributed to the restoration of the incentive attributes of the options, which further confirmed that there is a significant positive correlation between equity incentives and financial performance.

Betis et al. (2010) conducted an analysis based on 983 samples of equity incentives. The results showed that the companies that implemented equity incentives performed significantly better in subsequent financial performance than those that did not implement them, confirming the positive correlation between equity incentives and financial performance.

Fang et al. (2015) conducted a study based on the data of listed companies in Shanghai and Shenzhen from 2006 to 2011. The results showed that the ROE under equity incentives was significantly higher than that of companies that did not implement equity incentives.

Kadan and Tang (2016) concluded that the equity incentive system mechanism will enable some managers to influence stock prices by manipulating reports, and then use insider trading to obtain more profits. At this time, equity incentives will become a tool for managers to transfer benefits, which not only goes against the original intention of implementing equity incentives, but also has a negative impact on the company's financial performance.

Richardson et al. (2018) believed that under the effect of equity incentives, the personal wealth of the incentive object will be deeply bound to the company's value, and after that, the company will achieve better financial performance and market performance, and the higher the incentive ratio, the better the incentive effect.

Abuduheliliabula (2018) confirmed that there is a U-shaped curve relationship between equity incentives and financial performance of state-owned mixed-ownership enterprises. In addition, although the impact coefficient of equity incentives on financial performance is lower than that of fixed salary, fixed salary only has a significant impact on financial performance in the short term, while equity incentives are conducive to the long-term development of enterprises.

2.4.2 Equity incentives are not related to financial performance

In an empirical study, Jensen and Murphy (1987) collected the performance of 1,049 listed companies from 1974 to 1986 after implementing equity incentive plans using mathematical statistics. The study showed that when the company value increased by $100, the wealth of the management only increased by $3.25. Therefore, it cannot be shown that the introduction of equity incentive policies and the promotion of executive shareholding can improve the company's performance. American modern property rights theorist Demsetz (1983, 1985, 2001) believes that equity incentive plans cannot alleviate the principal-agent contradiction between shareholders and managers. In fact, using equity incentive plans to promote executive shareholding cannot improve corporate value.

From the perspective of corporate performance management, Bedchuk, Freid, and Walker (2002) believed that when the corporate governance structure is imperfect, the board of directors is not independent enough, so the compensation committee under it cannot play its full role, which is likely to cause short-sighted behavior of executives and use their positions to obtain excess returns. Therefore, many senior executives are not motivated by the idea of increasing corporate value and creating wealth for shareholders, but rather by the pursuit of personal gain. They vigorously implement equity incentive programs in their companies, which to a certain extent damages corporate value.

Some economists have also conducted corresponding research from the perspective of economics. From the perspective of the macroeconomic environment, they used the method of multiple linear regression to explore whether the incentive method of stock options can improve the company's performance. According to the results of regression analysis, there is no significant relationship between the two (Melisa A. Wiliams, 2006). Malaysian scholars Minhat and Marizah (2014) used 197 listed companies that implemented equity incentive programs in their country as samples and used linear regression to explore whether the performance of enterprises under different systems was affected. The study showed that equity incentives had little effect on improving the performance of state-owned enterprises.

Oyer and Schaefer (2005) calculated the risk premium associated with stock options based on the details of stock option plans for middle-level managers of more than 200 companies through model construction, and compared it with the stock options actually granted to middle-level employees. The results showed that the risk premium associated with these grants was usually several orders of magnitude larger than the employee costs, thus concluding that stock options are an inefficient means of incentive.

By studying the equity incentive plans of Chinese A-share listed companies from 2005 to 2009, Li (2011) confirmed from the perspective of plan implementation that the strength of equity incentives has no significant correlation with the performance of the company. Starting from the same perspective, Liu (2013) also obtained similar research results. After further analysis, he believed that compared with the developed capital markets in Western countries in Europe and the United States, China's capital market cannot achieve a strong efficient market, that is, securities prices cannot fully and timely reflect all public and internal information, so the conclusion that equity incentive plans can improve Financial Performance is questionable.

Benmelech et al. (2010) believed that the implementation of equity incentives would drive some incentive targets to pay more attention to the realization of their own interests, and the use of opportunistic earnings management methods would not promote the improvement of financial performance at all.

Triki et al. (2012) used 411 equity incentive plan announcements issued by 262 French companies as the research object, and used financial and market performance indicators for multivariate regression. The regression results show that there is no relationship between equity incentives and corporate financial performance.

2.4.3 General comments

Through literature review, it can be found that: in the current analysis of equity incentives and Financial Performance, scholars have obtained different research results, mainly divided into two conclusions: equity incentives are related to Financial Performance, and equity incentives are not related to Financial Performance. In general, equity incentives have the effect of improving performance for general listed companies. In the selection of equity incentive methods, stock options are more suitable for growth-oriented listed companies, while restricted stocks are suitable for mature companies. Chinese scholars who believe that equity incentive plans cannot improve Financial Performance generally select samples in specific situations, such as large state-owned enterprises, small and medium-sized enterprises listed on the Growth Enterprise Market, etc.

Different experts and scholars have different focuses on equity incentives. On the one hand, it can be seen that selecting samples from different cases will have a greater impact on the research conclusions. The situation of domestic and foreign securities markets varies greatly. In fact, even if they are all listed companies in China, the differences in listing locations, market conditions and company industries will also affect the performance of the company's equity incentive plan. Previous studies on equity incentives by scholars were mostly empirical studies, which would cause errors in the number of samples selected. If the number of samples is too small, accidental events will affect the accuracy of the conclusions. However, it is objectively difficult to select a large sample of listed companies with similar characteristics and implementing similar equity incentive plans over a period of time, so empirical studies have their inherent defects.

On the other hand, different scholars have adopted different assessment methods to determine whether equity incentives have promoted the improvement of corporate performance. The selection of indicators and how to quantify them are worth further study. Some experts only measure the financial data of listed companies after the implementation of equity incentive plans, while others also consider the performance of the company's operators, including both financial indicators and comprehensive performance indicators. These different research processes will affect the final results. Although scholars have also conducted a lot of research on the implementation performance of equity incentive plans, there are still shortcomings in the single measurement dimension and insufficient segmentation of the industry in which the company is located. There are few studies specifically targeting home appliance companies.

2.5 Two-factor Theory

American psychologist Herzberg believes that there are many factors that affect people's behavior, and hygiene and motivation factors play an important role in them. Hygiene factors include: working and living conditions, policies, management, relationships with colleagues, supervision and relationships with supervisors, etc. Motivation factors include achievement, affirmation, praise, career prospects, promotion, training, etc.

Mater et al. (2016) used the two-factor theory to conduct research in the Romanian cultural context and concluded that motivation in the cultural field is also affected by the two-factor theory.

Sangma (2018) designed the question "What do employees want" and used the two-factor satisfaction theory to put forward his own insights . Holmberg (2018) explored the satisfaction of Swedish mental health care workers with special care services from the perspective of the two-factor theory.

Bishayee (2019) summarized the research on the two-factor theory on the job satisfaction of Indian college teachers at home and abroad based on a large amount of theoretical analysis.

Brunet et al. (2019) conducted a two-factor theory analysis based on the cognitive-emotional empathy questionnaire of some French patients with cognitive impairment and explored the internal connection between the two factors.

Boucher (2019) established a two-factor theory learning model for private industrial enterprises. Schatz et al. (2019) replicated and verified the "memory" and "speed" structures that affect the two factors (Schatz & Maerlender, 2013). Alrawahi et al. (2020) explored the application of Herzberg's two-factor motivation theory in job satisfaction in clinical laboratories in Omani hospitals.

Zaw (2020) discussed the two-factor theory from the perspective of the determinants of job satisfaction among public employees in Myanmar.

2.6 Summary of Existing Studies

In the study of the relationship between equity incentives and corporate financial performance, the existing literature provides rich theoretical and empirical support, but there are also different views and limitations. Based on the existing research, it can be summarized from the following aspects.

First, the research on the relationship between equity incentives and financial performance has achieved certain results, but it has also exposed some shortcomings. Existing literature generally supports that equity incentives can effectively improve corporate financial performance. For example, Aboody et al. (2010) found that by re-pricing executives' stock options, the financial performance of related companies was significantly improved, which proved the positive effect of equity incentives. Similarly, Fang et al. (2015) revealed a significant positive correlation between equity incentives and corporate return on equity (ROE) in data analysis of the Chinese market, further confirming the effectiveness of the incentive mechanism. However, despite the strong support provided by existing empirical research, some literature has questioned this relationship. For example, Oyer and Schaefer (2005) pointed out that the inefficiency of stock options as an incentive means indicates that their risk premium is usually higher than the actual cost of employees. Benmelech et al. (2010) believed that equity incentives may cause managers to pay more attention to personal interests and use opportunistic earnings management methods, which may not effectively promote the improvement of financial performance. In addition, Triki et al. (2012) found through analysis that the relationship between equity incentives and financial performance is not significant, further revealing the limitations of incentive mechanisms in some cases.

Secondly, the measurement method of financial performance is an important tool for understanding the effect of equity incentives. Existing studies use a variety of indicators to evaluate corporate financial performance, such as revenue, net profit, return on assets (ROA) and return on equity (ROE). These indicators can fully reflect the profitability and resource utilization efficiency of the enterprise (Brealey et al., 2011). However, different measurement methods may lead to different interpretations of corporate performance. For example, Core et al. (1999) found that the short-term focus of incentives may lead managers to pursue short-term profits and ignore long-term development, thereby affecting the sustainable growth of the enterprise.

Finally, in terms of theoretical framework, existing literature provides a two-factor theory for understanding equity incentive mechanisms. The two-factor theory believes that factors that affect employee satisfaction and work enthusiasm can be divided into motivational factors and hygiene factors. Motivational factors, such as a sense of achievement, the challenge of the work itself, and personal growth opportunities, can significantly improve employees' work enthusiasm and performance; while hygiene factors, such as compensation, work environment, and management policies, mainly affect employees' basic satisfaction. Motivation theory covers a series of theoretical models on employee motivation, emphasizing the use of various forms of incentives to improve employees' work enthusiasm. Classic motivation theories include Maslow's hierarchy of needs theory and Vroom's expectancy theory (Maslow, 1943; Vroom, 1964). However, existing research often fails to integrate these theoretical perspectives, thus limiting the in-depth understanding of the effects of equity incentives. Many studies have shown that the two-factor theory has limitations in practical applications. On the one hand, the theory fails to fully consider the impact of the external environment on employee satisfaction, such as industry competition and market changes (Spector, 1997); on the other hand, the theory fails to systematically quantify the specific contributions of motivational factors and hygiene factors to financial performance, resulting in the diversity of its application effects (Judge & Bono, 2001).

In summary, existing research provides an important theoretical and empirical basis for understanding the impact of equity incentives on corporate financial performance. However, the contradictions and limitations in the research indicate that when designing and implementing equity incentives, more attention should be paid to external environmental factors such as management behavior and organizational culture to ensure the effectiveness and sustainability of incentives. Future research should further explore incentive mechanisms in different contexts in order to provide more precise guidance for corporate practice.

2.7 Conceptual Framework

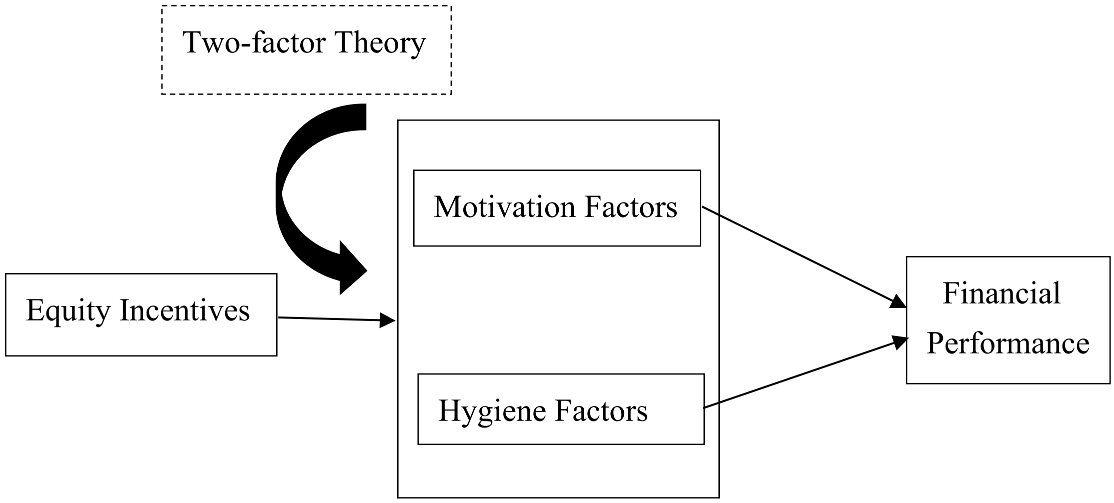

Figure 2.1 Conceptual Framework

Chapter 3 Research Methodology

3.1 Research Design

This study aimed to explore the impact of equity incentives on Gree Electric's financial performance under the two-factor theory. It adopted the quantitative research method and collected relevant data through a questionnaire survey. Specifically, the study focused on two independent variables: equity incentives under motivation factors and equity incentives under hygiene factors; the dependent variables include the company's financial performance. This study used statistical analysis methods to systematically process the collected data, verify the hypothesis and draw conclusions with empirical support.

The implementation steps of the study included literature review, questionnaire design, data collection, data analysis and conclusion summary. By using relevant theories and empirical data, this study aimed to provide scientific decision-making support for the company's management, helping it to optimize the plan when designing and implementing equity incentive plans to improve the company's overall financial performance.

3.2 Population and Sample

The research subjects of this study were the employees of Gree Electric Appliances who participated in the equity incentive plan. The sample size was set at 287 people, and a total of 260 samples were actually received. The sample selection covered different functional departments and positions to ensure the representativeness and diversity of the sample. This design can not only reflect the understanding and acceptance of equity incentives by employees at different levels, but also help us comprehensively evaluate the impact of equity incentives on financial performance.

In the sample selection process, a random sampling method was adopted to ensure that employees in each department and position have the opportunity to participate in the survey. At the same time, in terms of sample composition, the employee's position level was considered in order to more accurately analyze the impact of equity incentives on different groups.

3.3 Hypothesis

Based on relevant theories and literature, this study proposes the following hypotheses to guide subsequent data analysis and discussion:

H1: The motivation factors have a significant positive impact on financial performance. Specifically, equity incentive plans with good motivation factors can effectively stimulate employees' work enthusiasm, thereby increasing the company's revenue and net profit.

H2: The hygiene factor equity is positively correlated with financial performance. That is, if there are good hygiene factors in the equity incentive plan, it can promote the common interests of employees, thereby promoting the overall performance of the company.

These hypotheses provide a theoretical basis for the core content of this study and provide a clear direction for data analysis.

3.4 Research Instrument

This study used a structured questionnaire as the main data collection tool to systematically evaluate the impact of equity incentives on the financial performance of Gree Electric Appliances Co., Ltd. The questionnaire design was based on relevant theories and literature reviews to ensure that key dimensions were covered, including equity incentives as motivational factors and equity incentives as hygiene factors. Each indicator is evaluated using a five-point scale (1-strongly disagree, 5-strongly agree) to quantify employees' subjective feelings and opinions.

Table 3.1 Interviews Questions Design

Dimension	Question
Hygiene Factors	1.Do you think the equity incentive plan provided by the company has enhanced your stability and security in your future career development.
	2.In your eyes, is equity incentive regarded as an important part of the company's salary and welfare system, providing you with basic economic security.
	3.Does the company use equity incentive plans to alleviate employees' concerns about future uncertainties, such as market fluctuations or industry changes.
	4.Does the equity incentive plan make you feel that the company has provided you with sufficient basic living security financially, thereby alleviating your concerns about life pressure.
	5.Does holding company equity enhance your emotional sense of belonging and security to the company, making you more willing to stay in the company for a long time.
	6.Has the company established a mechanism through the equity incentive plan to enable employees to share risks with the company, thereby maintaining a relatively stable standard of living during economic fluctuations.

Dimension	Question
	7.Do you think that the equity incentive plan has become an important means for the company to retain excellent employees because it increases the economic and psychological costs when you leave.
Motivation Factors	8.Does equity incentive inspire you to pursue higher performance and achieve personal career growth.
	9.Do you think that the equity incentive plan makes your personal goals more consistent with the company's long-term development goals.
	10.After receiving equity incentives, do you feel more committed to your work and willing to make more efforts for the company's development.
	11.Does equity incentives encourage you to try new working methods, come up with innovative ideas, and be willing to take certain risks to pursue better performance.
	12.Does the company provide timely and effective feedback on your performance through the equity incentive plan and give corresponding rewards.
	13.Does equity incentives promote cooperation and sharing among team members and work together to achieve the company's goals.
	14.Do you think the equity incentive plan helps cultivate your long-term perspective and makes you pay more attention to the company's sustainable development and future prospects.
Financial Performance	15.Do you think the equity incentives provided by the company reflect the value of you and your contribution in the market.
	16.Gree Electric has achieved remarkable results in cost control, which has a positive impact on the company's financial performance.
	17.Gree Electric's market share in major markets continued to grow, which significantly improved the company's financial performance.
	18.The new products or services launched by Gree Electric performed well in the market and brought considerable financial benefits to the company.
	19.Gree Electric's gross profit margin has increased over the past year, which shows that the company's pricing strategy and product cost control are appropriate.
	20.Gree Electric's financial statements show strong financial robustness, including a healthy debt-to-equity ratio and good debt repayment ability.
	21.Gree Electric Appliances provides shareholders with a satisfactory rate of return, which reflects the company's good financial performance and capital management capabilities.

3.5 Reliability and Validity Analysis of the Scale

3.5.1 Reliability analysis

Reliability analysis is to measure the reliability of the questionnaire. This survey uses the "Reliability Analysis" of the SPSS26.0 tool to detect the internal consistency of the questionnaire data and determine whether the data is stable and reliable. Cronbach's Alpha coefficient is generally used as the reliability value to measure the reliability of the data. The higher the reliability coefficient, the more consistent, stable and reliable the test results are. In general research, if the coefficient of the measurement dimension is higher than 0.8, it means that the internal consistency of the measurement dimension variable is high; if the a coefficient of the measurement dimension is between 0.7-0.8, it means that the internal consistency of the measurement dimension variable is good; if the a coefficient of the measurement dimension is between 0.6-0.7, it means that the internal consistency of the measurement dimension variable is acceptable. The reliability test results of this study are shown in table 3.2.

Table 3.2 Reliability Analysis Results

	Cronbach.α coefficient	Number of items
Hygiene Factors	0.877	7
Motivation Factors	0.883	7
Financial Performance	0.869	7
Total	0.941	21

3.5.2 Validity analysis

Validity test, that is, the validity measurement of the questionnaire. In general research, the validity of a questionnaire is to test whether the questionnaire test data can truly reflect the research purpose, that is, to verify whether the questionnaire is accurate and effective for the research. This article uses the KMO coefficient to test the validity of the scales in the questionnaire. According to the test results in the above table, the KMO value is 0.932, which is greater than 0.9, and the Bartlett test significance is $p<0.05$, which shows that the questionnaire has good validity.

Table 3.3 Validity Analysis Results

KMO and Bartlett's test		
Number of KMO sampling		0.932
Bartlett spherical test	Approximate Chi Square	3635.387
	Free degree	210
	conspicuousness	0.000

3.6 Data Collection

This study collected data through an online questionnaire survey to explore the impact of equity incentives based on the two-factor theory on Gree Electric's financial performance. The questionnaire design followed the principles of scientificity and systematicity, covering aspectsmof whether to participate in equity incentives, implementation effects, and financial performance. In terms of sample selection, stratified sampling was conducted for employees and management participating in Gree Electric's equity incentive plan to ensure the representativeness and validity of the data. During the data collection process, anonymity was used to ensure the privacy of the respondents and enhance the authenticity and reliability of the answers. A total of 278 questionnaires were distributed in this survey, and 260 valid questionnaires were collected, with an effective rate of 93.5%. Finally, the data was processed through statistical analysis methods to verify the research hypothesis.

3.7 Data Analysis

The data analysis methods used in this study were reliability analysis, validity analysis, correlation analysis and regression analysis. In this study, online questionnaires were distributed and collected, and the online SPSS analysis tool in Questionnaire Star was used for detailed analysis of the collected data. This process is rigorous and precise and can provide strong support for data analysis.

Chapter 4 Findings and Discussion

4.1 Job Levels of Participants

Table 4.1 Descriptive Statistics of Job Levels

Basic Features	Classification	Frequency	Proportion	Cumulative proportion %
job level	Senior Management	75	28.8%	28.8%
	Core staff	118	45.4%	74.2%
	Other participating employees	67	25.8%	100%

This study focused on Gree Electric Appliances and conducted a detailed analysis of the job levels of employees participating in the equity incentive plan. Table 4.1 shows the classification, frequency, proportion and cumulative proportion of the job levels, providing data support for a deeper understanding of the impact of the equity incentive plan on employees at different levels.

From the perspective of job classification, this study clearly divided participants into three levels: senior management, core employees, and other participating employees. This division method not only conforms to the organizational structure characteristics of the enterprise, but also facilitates the subsequent analysis of the acceptance and response differences of employees at different levels to the equity incentive plan.

From the frequency and proportion data, there are 75 senior managers, accounting for 28.8% of the total number of participants. As the strategic decision-makers and leaders of the company, they play an important role in the equity incentive plan. Core employees are the group with the largest number of participants, with a total of 118 people, accounting for as high as 45.4%. They are the backbone of the company's operation and development, and their work enthusiasm and creativity directly affect the company's overall performance. Other participating employees account for the remaining 25.8%. Although they are at a relatively low level, they also play an indispensable role in the daily operation of the company.

The cumulative percentage data further verifies the rationality of the distribution of job levels. The proportion of senior management and core employees totaled 74.2%, indicating that more than 70% of the participants are in key positions in the company, and their behavior and attitude have an important impact on the implementation of the equity incentive plan. When other participating employees are also taken into account, the cumulative percentage reaches 100%, which ensures the comprehensiveness and accuracy of the data.

In summary, the data shown in Table 4.1 reveal the distribution of employees participating in the equity incentive plan at different job levels within Gree Electric. This distribution not only reflects the organizational structure and talent allocation characteristics of the company, but also provides an important basis for the subsequent analysis of the impact of the equity incentive plan on the financial performance of employees at different levels.

4.2 Descriptive Statistics of Variables

4.2.1 Equity Incentive Issues from the Perspective of Hygiene Factors

Table 4.2 Descriptive Statistics of Hygiene Factors

Question	Average	Standard Deviation
1.Do you think the equity incentive plan provided by the company has enhanced your sense of stability and security in your future career development.	4.05	0.85
2.In your opinion, are equity incentives considered an important part of the company's salary and benefits system, providing you with basic financial security.	3.92	0.86
3.Does the company use equity incentive plans to alleviate employees' concerns about future uncertainties, such as market fluctuations or industry changes.	3.89	0.93
4.Does the equity incentive plan make you feel that the company provides you with sufficient basic living security financially, thereby alleviating your worries about life pressure.	3.97	0.86
5.Does holding company equity enhance your sense of belonging and security to the company, making you more willing to stay in the company for a long time.	3.76	0.88
6.Whether the company has established a mechanism through equity incentive plans to enable employees to share risks with the company and thus maintain a relatively stable standard of living during economic fluctuations.	3.81	0.91
7.Do you think that the equity incentive plan has become an important means for the company to retain excellent employees, because it increases the	3.78	0.86

Question	Average	Standard Deviation
economic and psychological costs when you leave the company.		

In an in-depth analysis of the hygiene function of Gree Electric's equity incentive plan, we conducted a questionnaire survey on employees' views on various aspects of the plan and obtained the following descriptive statistical results. These results provide us with a detailed portrait of employees' perceptions of the equity incentive plan on different health factors.

First, regarding the role of the equity incentive plan in enhancing the stability and security of employees' future career development, the survey results show that employees generally believe that the plan has a positive impact on this. Specifically, when asked "Do you think the equity incentive plan provided by the company has enhanced your stability and security in your future career development.", the average score was 4.05 and the standard deviation was 0.85, indicating that most employees have a positive attitude towards this, but there are certain differences between individuals.

Secondly, from the perspective of the salary and benefits system, the equity incentive plan is regarded as an important component, providing basic economic security for employees. The survey data shows that for the question "In your eyes, are equity incentives regarded as an important part of the company's salary and benefits system, providing you with basic economic security.", the average answer of employees is 3.92, and the standard deviation is 0.86, indicating that the status of equity incentives in the employee salary and benefits system has been widely recognized.

Furthermore, equity incentive plans are also seen as an effective means to alleviate employees' concerns about future uncertainties. Faced with uncertainties such as market fluctuations or industry changes, employees generally believe that equity incentive plans can alleviate their concerns to a certain extent. The survey results show that for the question "whether the company uses equity incentive plans to alleviate employees' concerns about future uncertainties, such as market fluctuations or industry changes", the average score of employees is 3.89, with a standard deviation of 0.93, indicating that the plan has played a certain role in this regard.

In addition, the equity incentive plan also provides employees with basic financial security, thereby reducing their life pressure. Survey data shows that for the question "Does the equity incentive plan make you feel that the company has provided you with sufficient basic financial security, thereby reducing your concerns about life pressure.", the average score of employees was 3.97, with a standard deviation of 0.86, indicating that the plan has alleviated employees' life pressure to a certain extent.

In addition to financial security, the equity incentive plan also enhances employees' emotional sense of belonging and security to the company. Employees holding company equity generally said that this sense of belonging and security made them more willing to stay in the company for a long time. The survey results showed that for the question "Does holding company equity enhance your emotional sense of belonging and security to the company, making you more willing to stay in the company for a long time.", the average score of employees was 3.76, with a standard deviation of 0.88, indicating that the equity incentive plan also played a certain role in this regard.

Finally, from the perspective of retaining excellent employees, the equity incentive plan is seen as an important means. By increasing the economic and psychological costs of employees leaving, the plan helps the company retain key talents. Survey data shows that for the question "Do you think the equity incentive plan has become an important means for the company to retain excellent employees because it increases the economic and psychological costs of your leaving.", the average score of employees was 3.78, with a standard deviation of 0.86, indicating that employees generally agree with this view.

In summary, Gree Electric's equity incentive plan has a positive impact on employees in different hygiene factors, including enhancing career stability, providing economic security, alleviating uncertainty concerns, reducing life pressure, enhancing emotional belonging and sense of security, and retaining excellent employees. However, these effects vary among employees, which may be related to factors such as employees' personal circumstances, career development stages, and the degree of awareness of equity incentive plans.

4.2.2 Equity Incentive Issues from the Perspective of Motivation Factors

Table 4.3 Descriptive Statistics of Motivation Factors

Question	Average	Standard Deviation
8.Does equity incentive inspire you to pursue higher performance and achieve personal career growth.	3.86	0.96
9.Do you think the equity incentive plan makes your personal goals more aligned with the company's long-term development goals.	3.82	0.88

10.After receiving equity incentives, do you feel more committed to your work and willing to make more efforts for the development of the company.	3.83	0.93
11.Does the equity incentive encourage you to try new working methods, come up with innovative ideas, and be willing to take certain risks to pursue better performance.	3.93	0.87
12.Whether the company has timely and effectively provided feedback on your performance through the equity incentive plan and given corresponding rewards.	3.89	0.84
13.Does equity incentives promote cooperation and sharing among team members and work together to achieve company goals.	3.88	0.85
14.Do you think the equity incentive plan helps you develop a long-term perspective and make you pay more attention to the company's sustainable development and future prospects.	3.88	0.83

When further exploring the impact of equity incentive plans on employee motivation, we paid special attention to the dimension of motivation factors. Through a series of survey questions, we obtained detailed statistical results on how employees are motivated by equity incentive plans. First, regarding the stimulating effect of equity incentives on employees' pursuit of higher performance and personal career growth, the survey results showed a positive trend. When asked "Does equity incentives inspire you to pursue higher performance and achieve personal career growth.", the average answer of employees was 3.86, with a standard deviation of 0.96. This shows that most employees believe that equity incentive plans have inspired their motivation to pursue higher performance and achieve personal career growth to a certain extent, but there are certain differences in the feelings of different employees.

Secondly, the equity incentive plan is also seen as an effective means to combine employees' personal goals with the company's long-term development goals. Survey data shows that for the question "Do you think the equity incentive plan makes your personal goals more consistent with the company's long-term development goals.", the average answer of employees is 3.82, with a standard deviation of 0.88. This shows that the equity incentive plan has promoted the coordination of employees' personal goals with the company's goals to a certain extent. Furthermore, the equity incentive plan also has a significant impact on employees' work commitment and loyalty. When asked "After receiving equity incentives, do you feel more committed to work and willing to make more efforts for the company's development.", the average answer of employees was 3.83, with a standard deviation of 0.93. This shows that after receiving equity incentives, most employees have increased their work commitment and loyalty to the company, and are willing to contribute more to the company's development.

In addition, the equity incentive plan also encourages employees' innovative behavior and willingness to take risks. The survey results show that for the question "Does the equity incentive encourage you to try new working methods, come up with innovative ideas, and be willing to take certain risks to pursue better performance.", the average answer of employees is 3.93, with a standard deviation of 0.87. This shows that the equity incentive plan has a significant incentive effect on employees' innovative behavior and willingness to take risks, which helps promote the company's innovation and development.

In terms of performance feedback and reward mechanisms, the company also demonstrated high timeliness and effectiveness. When asked, "Did the company provide timely and effective feedback on your performance through the equity incentive plan and give corresponding rewards.", the average answer of employees was 3.89, with a standard deviation of 0.84. This shows that when implementing the equity incentive plan, the company focused on the timeliness and effectiveness of performance feedback and reward mechanisms, which was generally recognized by employees.

At the same time, the equity incentive plan also promotes cooperation and sharing among team members. The survey data shows that for the question "Does the equity incentive promote cooperation and sharing among team members and work together to achieve the company's goals.", the average answer of employees is 3.88, with a standard deviation of 0.85. This shows that the equity incentive plan has strengthened the culture of cooperation and sharing within the team to a certain extent, and helped employees work together to achieve the company's goals.

Finally, from a long-term perspective, equity incentive plans also help cultivate employees' long-term thinking and confidence in the company's future. When asked, "Do you think that equity incentive plans help cultivate your long-term perspective and make you pay more attention to the company's sustainable development and future prospects.", the average answer of employees was 3.88, with a standard deviation of 0.83. This shows that equity incentive plans not only focus on short-term performance incentives, but also focus on cultivating employees' long-term perspectives and confidence in the company's future.

In summary, from the perspective of motivation factors, Gree Electric's equity incentive plan has a positive motivational effect on employees in many aspects. However, these incentive effects vary among employees, which may be related to various factors such as employees' personal characteristics, career development stage, and identification with the company culture.

4.2.3 Gree’s Financial Performance

Table 4.4 Gree’s Financial Performance

Question	Average	Standard Deviation
15.In the past year, Gree Electric's operational efficiency has significantly improved. Do you think this is directly reflected in the company's financial performance.	4.02	0.86
16.Gree Electric has achieved remarkable results in cost control, which has a positive impact on the company's financial performance.	3.97	0.88
17.Gree Electric's continued growth in market share in key markets has significantly boosted the company's financial performance.	3.93	0.72
18.The new products or services launched by Gree Electric Appliances performed well in the market and brought considerable financial benefits to the company.	3.91	0.76
19.Gree Electric's gross profit margin has improved over the past year, which shows that the company's pricing strategy and product cost control are appropriate.	3.97	0.78
20.Gree Electric's financial statements show strong financial stability, including a healthy debt-to-asset ratio and good debt repayment ability.	3.94	0.78
21.Gree Electric has provided shareholders with a satisfactory rate of return, which reflects the company's good financial performance and capital management capabilities.	3.86	0.86

When evaluating Gree Electric's overall performance, its financial performance is undoubtedly one of the important indicators to measure the company's success. The following is a detailed analysis of Gree Electric's financial performance based on the results of a series of financial-related questions.

First, from the perspective of operational efficiency, the survey results show that employees generally believe that Gree Electric's operational efficiency has significantly improved in the past year, and this improvement is directly reflected in the company's financial performance. The specific data is that for the question "In the past year, Gree Electric's operational efficiency has significantly improved. Do you think this is directly reflected in the company's financial performance.", the average answer of employees is 4.02, and the standard deviation is 0.86, showing a high degree of recognition and small differences.

Secondly, Gree Electric has also achieved remarkable results in cost control. Survey data show that employees generally believe that efforts in this area have had a positive impact on the company's financial performance. For the question "Gree Electric has achieved remarkable results in cost control, which has had a positive impact on the company's financial performance", the average answer of employees was 3.97, with a standard deviation of 0.88, further proving the company's success in cost control. In terms of market share, Gree Electric also performed well. The survey results show that employees generally believe that the company's share in major markets continues to grow, which has significantly improved the company's financial performance. For the question "Gree Electric's share in major markets continues to grow, which has significantly improved the company's financial performance", the average answer of employees was 3.93, with a standard deviation of 0.72, showing a high degree of market recognition and a stable growth trend.

In addition, the new products or services launched by Gree Electric also performed well in the market, bringing considerable financial benefits to the company. The survey data shows that employees have a high evaluation of this. For the question "The new products or services launched by Gree Electric have performed well in the market, bringing considerable financial benefits to the company", the average answer of employees was 3.91, and the standard deviation was 0.76, indicating that the company has achieved remarkable results in product innovation and market expansion. In terms of gross profit margin, Gree Electric also performed well. The survey results show that the company's gross profit margin has increased in the past year, which shows that the company's pricing strategy and product cost control are appropriate. For the question "Gree Electric's gross profit margin has increased in the past year, which shows that the company's pricing strategy and product cost control are appropriate", the average answer of employees was 3.97, and the standard deviation was 0.78, showing the company's success in cost control and pricing strategy.

In addition to the above indicators, Gree Electric's financial statements also show strong financial robustness. Survey data show that employees generally believe that the company's financial statements are healthy, including a healthy debt-to-asset ratio and good debt-paying ability. For the question "Gree Electric's financial statements show strong financial robustness, including a healthy debt-to-asset ratio and good debt-paying ability", the average employee response was 3.94, with a standard deviation of

0.78, further demonstrating the company's robustness in financial management. Finally, from the perspective of shareholder returns, Gree Electric also performed well. The survey results show that the company provides shareholders with a satisfactory rate of return, which reflects the company's good financial performance and capital management capabilities. For the question "Gree Electric provides shareholders with a satisfactory rate of return, which reflects the company's good financial performance and capital management capabilities", the average employee response was 3.86, with a standard deviation of 0.86, indicating that the company has achieved remarkable results in creating value for shareholders.

In summary, Gree Electric has performed well in financial performance, not only achieving remarkable results in operational efficiency, cost control, market share, product innovation, etc., but also demonstrating strong financial stability and the ability to create value for shareholders. These achievements have laid a solid foundation for the company's future development.

4.3 Correlation Analysis

Correlation analysis is often used to measure the closeness of the relationship between two or more variables when they have a certain correlation. It is often expressed by the Pearson correlation coefficient. The value of the Pearson correlation coefficient is between -1 and 1. The larger the positive value or the smaller the negative value, the stronger the correlation between the two variables; the closer the value is to 0, the weaker the correlation between the variables. The results of the correlation analysis of the 240 questionnaires collected are shown in the following table.

Table 4.5 Correlation Analysis Results

	Hygiene Factors	Motivation Factors	Gree's Financial Performance
Hygiene Factors	1		
Motivation Factors	0.701**	1	
Gree's Financial Performance	0.642**	0.749**	1

The correlation between hygiene factors and motivation factors: The Pearson correlation coefficient between the two is 0.701 and is statistically significant (marked as **), indicating that there is a strong positive correlation between hygiene factors and motivation factors. Correlation between hygiene factors and Gree's financial performance: The Pearson correlation coefficient is 0.642 and is statistically significant, indicating that there is a strong positive correlation between hygiene factors and Gree's financial performance. Correlation between motivation factors and Gree's financial performance: The Pearson correlation coefficient is 0.749, the highest of all correlation coefficients and statistically significant, showing a strong positive correlation between motivation factors and Gree’s financial performance.

As a basic component of equity incentive plans, hygiene factors focus on meeting employees' basic needs and ensuring the stability of their working environment. The results show that there is a significant strong positive correlation between hygiene factors and Gree Electric's financial performance. This means that when equity incentive plans effectively solve employees' worries, such as providing basic needs such as stable job security and reasonable salary levels, employees are more likely to devote themselves to work with higher work enthusiasm and satisfaction, thereby promoting the improvement of the company's financial performance. This finding emphasizes that companies should not ignore the attention and satisfaction of employees' basic needs when designing equity incentive plans, because they are important cornerstones for building a stable working environment, improving employee satisfaction and driving Financial Performance growth.

In contrast, motivation factors focus on stimulating employees' intrinsic motivation and promoting their pursuit of higher performance and career growth. The results of the study show that the correlation between motivation factors and Gree Electric's financial performance is more significant. When the equity incentive plan can accurately identify and meet the personal development needs of employees and provide attractive performance rewards and career development opportunities, employees will feel a strong sense of motivation and belonging, and thus be more actively engaged in work and constantly pursue excellence. This motivation-driven passion and creativity ultimately translates into significant improvements in the company's financial performance. Therefore, when formulating equity incentive plans, the company should attach great importance to the design and implementation of motivation factors to ensure that they can maximize the potential and creativity of employees and inject strong impetus into the company's long-term development.

In summary, as two key dimensions of the equity incentive plan, hygiene factors and motivation factors have had a significant positive impact on Gree Electric's financial performance. However, in comparison, motivation factors play a more prominent role in improving financial performance. Therefore, when optimizing the equity incentive plan, the company should comprehensively consider the balance and synergy of hygiene factors and motivation factors to ensure that it can fully and effectively stimulate the work enthusiasm and creativity of employees and lay a solid foundation for the company's sustainable development.

4.4 **Regression Analysis**

Table 4.6 Regression Analysis Results

	Unstandardized coefficients		Standardized coefficient	t	Significance
	B	Standard Error	Beta		
(constant)	1.087	0 . 154		7.070	0.000
Hygiene Factors	0.208	0 . 051	0.229	4.090	0.000
Motivation Factors	0.529	0 .0 50	0.589	10.498	0.000
R2			0.588		
Adjusted R2			0.585		
F	F=183.708, p＜0.001				

In order to further quantify the specific impact of hygiene factors and motivation factors on Gree Electric's financial performance, we conducted a regression analysis. The regression model introduced hygiene factors and motivation factors as independent variables to explore their predictive ability on Gree Electric's financial performance (as a dependent variable). The R-square (R^2) value of the model is 0.588, indicating that the two independent variables jointly explain 58.8% of the variation in financial performance, indicating that the model has good fit and explanatory power. The adjusted R^2 value is 0.585, which is slightly lower than the R^2 value, but due to the large sample size (usually greater than 100), this small difference is acceptable. The value of the F statistic is 183.708, and the corresponding p-value is less than 0.001, which is highly significant, indicating that the model is effective as a whole and there is a significant linear relationship between the independent variable and the dependent variable.

The regression analysis shows that motivation factors have the most significant impact on Gree Electric's financial performance. This means that when designing equity incentive plans, companies should attach great importance to the role of motivation factors and regard them as the key driving force for improving employee performance and the company's overall performance. Specifically, companies can stimulate employees' intrinsic motivation and promote their pursuit of higher performance and career growth by setting attractive performance goals, providing abundant career development opportunities, and implementing fair reward mechanisms.

Although motivation factors play a leading role in improving financial performance, hygiene factors cannot be ignored. As a basic need guarantee for employees, hygiene factors play an important role in building a stable working environment and improving employee satisfaction and loyalty. Therefore, while strengthening motivation factors, companies should also ensure that hygiene factors are effectively met. For example, providing competitive salary and benefits, ensuring employee safety and health, and creating a harmonious working atmosphere are all effective means to improve employee satisfaction and loyalty.

As the internal and external environment of the enterprise changes and the needs of employees continue to evolve, the equity incentive plan also needs to be dynamically adjusted. The enterprise should regularly evaluate the implementation effect of the equity incentive plan, understand the satisfaction and feedback of employees on the hygiene factors and motivation factors, and promptly identify problems and take corresponding improvement measures. At the same time, the enterprise can also flexibly adjust and optimize the equity incentive plan according to market changes and the needs of corporate strategy adjustments to ensure that it can always play the greatest incentive effect.

Finally, when designing and implementing equity incentive plans, enterprises should also comprehensively consider their actual conditions. Different enterprises are in different industry environments, development stages, talent structures, etc., so the design of equity incentive plans should also be adapted to local conditions and enterprises. Enterprises should formulate appropriate equity incentive plans based on their actual conditions and development needs, and constantly summarize experience and lessons and improve institutional mechanisms during implementation to achieve win-win development for enterprises and employees.

4.5 Hypothesis Test Results

According to the above data analysis, the assumptions of this study get the following verification results:

H1: Motivation factors are positively related to financial performance. Specifically, equity incentive plans with good hygiene factors can effectively stimulate employees' enthusiasm for work, thereby increasing the company's income and net profit.

H2: Hygiene factors are positively related to financial performance. In other words, if there is a good sanitary factor in the stock incentive plan, it can promote the common interests of employees and thereby promoting the company's overall performance.

Chapter 5 Conclusion and Recommendation

5.1 Conclusion

This study aims to explore the impact of equity incentives on Gree Electric's financial performance under the framework of the two-factor theory. By summarizing the previous research on equity incentives by experts and scholars, it is found that most scholars believe that equity incentives are related to financial performance, while other scholars believe that equity incentives are not necessarily related to financial performance. Through the quantitative method of questionnaire survey, how equity incentives affected the company's financial performance from the perspective of hygiene factors and motivation factors was examined. The research used SPSS software for correlation analysis to verity the relationship between the independent variable (equity incentives) and the dependent variable (self-assessment of financial performance).

The results show that hygiene factors, including stability and security, basic security, risk buffer, basic life security, sense of security and belonging, risk sharing mechanism, and turnover costs and retention factors, have a positive impact on financial performance. These factors improve the company's operating efficiency and financial stability by improving employees' job satisfaction and sense of belonging.

At the same time, motivation factors, such as personal growth and achievement, goal consistency, work enthusiasm and motivation, innovation and adventurous spirit, performance feedback and rewards, teamwork and sharing, and long-term perspective, also significantly promote the company's financial performance. These factors not only stimulate employees' innovation and work enthusiasm, but also enhance teamwork spirit, and ultimately achieve improved financial returns.

In summary, the key findings of this study show that equity incentives have a significant positive correlation with Gree Electric's financial performance under the dual effects of hygiene factors and motivation factors. This result provides an important theoretical basis for companies to formulate incentive policies and emphasizes the importance of equity incentives in improving financial performance.

5.2 Recommendation

Based on the findings of this study, when implementing equity incentive policies, enterprises should fully consider the combined effects of health factors and hygiene factors. The specific analysis is as follows:

Under the hygiene factors, as a company with a strong market position in the home appliance industry, Gree Electric's employees' needs for job stability and security are particularly important. The company can enhance employees' sense of belonging and reduce employee turnover by providing long-term equity incentive plans. This stability can not only improve employees' job satisfaction, but also improve employees' loyalty to the company to a certain extent, thereby reducing the operating risks caused by personnel turnover. Of course, Gree Electric can also set reasonable equity incentive resignation costs, such as setting equity vesting periods, to encourage employees to work in the company for a long time. This can also reduce employee mobility, improve team stability, and help maintain the company's competitiveness and innovation capabilities. At the same time, when designing equity incentive plans, the company should ensure that employees' needs for basic living security are met. For example, providing basic salary and welfare guarantees, combined with equity incentives, so that employees can feel the company's attention to their basic living conditions while enjoying financial benefits. This guarantee will help create a good working environment, improve employees' work enthusiasm, and thus better bring performance to the company.

Under the motivation factors, the company should closely combine equity incentives with employees' career development to provide employees with room for growth. For example, through equity incentive plans, employees are encouraged to pursue career advancement within the company and motivated to pursue excellence in their work. This can not only enhance employees' work enthusiasm, but also help the company cultivate higher-quality core talents. At the same time, companies can combine employees' personal goals with the company's strategic goals to ensure that all employees work in the same direction. Gree Electric can ensure that employees contribute to the company's long-term development while realizing their personal values through regular goal setting and performance evaluation.

In addition, companies should encourage employees to innovate boldly under the framework of equity incentives, try new working methods and ideas, and emphasize the importance of teamwork. By setting up team performance rewards, encourage collaboration and information sharing among employees, and further enhance team cohesion. This will promote the company's technological progress and product innovation, as well as improve operational efficiency, so that Gree Electric can maintain its leading position in market competition. Finally, companies can guide employees to focus on the company's future growth potential by setting long-term performance goals, thereby motivating employees to jointly promote the company's sustainable development.

5.3 Further Study

In future studies, researchers can further explore the impact of different types of equity incentives on financial performance, especially in the context of different industries and enterprise sizes. These studies can use a wider range of samples or combine qualitative research methods to obtain deeper insights. In addition, the research can also consider other variables that may affect financial performance, such as economic environment, market competition and other factors, to more comprehensively understand the effectiveness of equity incentives.

By exploring these aspects, future research may provide companies with richer theoretical support and practical guidance when formulating and implementing equity incentive policies. In the ever-changing market environment, companies need to respond flexibly to ensure that their equity incentive policies can keep pace with the times and effectively improve financial performance.

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Appendix

Questionnaire survey on the impact of equity incentives on financial performance

The information collected is limited to the research purpose of this paper. The results of the questionnaire will not be used in any commercial way, andwe promise to keep all information strictly confidential.

Dear Ms./Mr.:

Hello! Thank you very much for taking the time out of your busy schedule to fill out this questionnaire! This questionnaire mainly explores the impact of equity incentives on financial performance under the two-factor theory. Please give strong support to the relevant companies and provide your company information truthfully. Your answers to the questionnaire will become the main opinions for improving the company's equity incentive plan and implementation level and promoting the company's development. The information collected is limited to the research purpose of this article. The questionnaire results will not be used in any commercial way. We promise to keep all information strictly confidential. Please feel free to answer. Sincerely thank you for your cooperation!

1. Have you participated in Gree Electric's equity incentive plan.

□Yes

□ No (If you select "No", you can skip the questionnaire)

2. Your position level in Gree Electric is:

□Senior management

□Core employees

□Other participating employees

3.Do you think the equity incentive plan provided by the company has enhanced your stability and security in your future career development.

□Strongly disagree □Disagree □Average □Agree □Strongly agree

4.In your eyes, is equity incentive regarded as an important part of the company's salary and welfare system, providing you with basic economic security.

□Strongly disagree □Disagree □Average □Agree □Strongly agree

5.Does the company use equity incentive plans to alleviate employees' concerns about future uncertainties, such as market fluctuations or industry changes.

□Strongly disagree □Disagree □Average □Agree □Strongly agree

6.Does the equity incentive plan make you feel that the company has provided you with sufficient basic living security financially, thereby alleviating your concerns about life pressure.

□Strongly disagree □Disagree □Average □Agree □Strongly agree

7.Does holding company equity enhance your emotional sense of belonging and security to the company, making you more willing to stay in the company for a long time.

□Strongly disagree □Disagree □Average □Agree □Strongly agree

8.Has the company established a mechanism through the equity incentive plan to enable employees to share risks with the company, thereby maintaining a relatively stable standard of living during economic fluctuations.

□Strongly disagree □Disagree □Average □Agree □Strongly agree

9.Do you think that the equity incentive plan has become an important means for the company to retain excellent employees because it increases the economic and psychological costs when you leave.

□Strongly disagree □Disagree □Average □Agree □Strongly agree

10.Does equity incentive inspire you to pursue higher performance and achieve personal career growth.

□Strongly disagree □Disagree □Average □Agree □Strongly agree

11.Do you think that the equity incentive plan makes your personal goals more consistent with the company's long-term development goals.

□Strongly disagree □Disagree □Average □Agree □Strongly agree

12.After receiving equity incentives, do you feel more committed to your work and willing to make more efforts for the company's development.

□Strongly disagree □Disagree □Average □Agree □Strongly agree

13.Does equity incentives encourage you to try new working methods, come up with innovative ideas, and be willing to take certain risks to pursue better performance.

□Strongly disagree □Disagree □Average □Agree □Strongly agree

14.Does the company provide timely and effective feedback on your performance through the equity incentive plan and give corresponding rewards.

□Strongly disagree □Disagree □Average □Agree □Strongly agree

15.Does equity incentives promote cooperation and sharing among team members and work together to achieve the company's goals.

□Strongly disagree □Disagree □Average □Agree □Strongly agree

16.Do you think the equity incentive plan helps cultivate your long-term perspective and makes you pay more attention to the company's sustainable development and future prospects.

□Strongly disagree □Disagree □Average □Agree □Strongly agree

17.Do you think the equity incentives provided by the company reflect the value of you and your contribution in the market.

□Strongly disagree □Disagree □Average □Agree □Strongly agree

18.Gree Electric has achieved remarkable results in cost control, which has a positive impact on the company's financial performance.

□Strongly disagree □Disagree □Average □Agree □Strongly agree

19.Gree Electric's market share in major markets continued to grow, which significantly improved the company's financial performance.

□Strongly disagree □Disagree □Average □Agree □Strongly agree

20.The new products or services launched by Gree Electric performed well in the market and brought considerable financial benefits to the company.

□Strongly disagree □Disagree □Average □Agree □Strongly agree

21.Gree Electric's gross profit margin has increased over the past year, which shows that the company's pricing strategy and product cost control are appropriate.

□Strongly disagree □Disagree □Average □Agree □Strongly agree

22.Gree Electric's financial statements show strong financial robustness, including a healthy debt-to-equity ratio and good debt repayment ability.

□Strongly disagree □Disagree □Average □Agree □Strongly agree

23.Gree Electric Appliances provides shareholders with a satisfactory rate of return, which reflects the company's good financial performance and capital management capabilities.

□Strongly disagree □Disagree □Average □Agree □Strongly agree