A CASE STUDY OF THE IMPACT OF CORPORATE GOVERNANCE ON FINANCIAL PERFORMANCE OF LIANHUA TECHNOLOGY

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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

Corporate governance plays a crucial role in enhancing the financial performance of companies. This study investigated the impact of three key corporate governance mechanisms—board independence, executive compensation, and ownership structure—on the financial performance of Lianhua Technology. The objective was to assess how these governance mechanisms contribute to improved financial outcomes.

A quantitative research design was adopted, utilizing a structured questionnaire to collect data from board members, senior executives, and financial managers of Lianhua Technology. The sample was selected using purposive sampling, and the data were analyzed using descriptive statistics, correlation analysis, and regression analysis.

The findings revealed that board independence, executive compensation, and ownership structure each had a significant positive impact on financial performance. Board independence was found to play a vital role in providing unbiased oversight, while executive compensation, when linked to company performance, effectively motivated executives to prioritize long-term profitability. Ownership structure had the strongest impact, emphasizing the importance of a diversified and balanced ownership base in enhancing governance effectiveness.

In conclusion, improving corporate governance mechanisms, particularly enhancing board independence, aligning executive compensation with performance metrics, and maintaining a balanced ownership structure, can significantly enhance the financial performance of Lianhua Technology. It is recommended that the company continue to strengthen these governance practices to ensure effective oversight and sustainable financial growth.

Keywords: board independence, executive compensation, ownership structure, financial performance

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LIU XIAOFENG

DECLARATION

I, LIU XIAOFENG, hereby declare that this Independent Study entitled "A CASE STUDY OF THE IMPACT OF CORPORATE GOVERNANCE ON FINANCIAL PERFORMANCE OF LIANHUA TECHNOLOGY" is an original work and has never been submitted to any academic institution for a degree.

(LIU XIAOFENG)
Feb 20, 2025

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Chapter 1 Introduction

1.1 Background of the Study

Corporate governance has become a critical area of focus in both the corporate and academic sectors. The rise of corporate scandals and financial crises in recent years has brought attention to the importance of sound governance practices in enhancing financial performance. Effective corporate governance serves as a mechanism for aligning the interests of management and shareholders, ensuring accountability and transparency in organizational decision-making (Jensen & Meckling, 1976). In the context of China, corporate governance has undergone significant changes, driven by both regulatory developments and the growing influence of global business practices (Liu, 2022).

Lianhua Technology, a prominent technology company, operates in a rapidly evolving industry where corporate governance practices are crucial to maintaining competitiveness. Board independence, executive compensation, and ownership structure are pivotal governance mechanisms that significantly influence financial performance (Zhang, 2022). Board independence, in particular, is essential in ensuring that the board of directors can effectively oversee management activities, thereby promoting the interests of shareholders and reducing agency costs (Fama & Jensen, 1983). Previous studies indicate that firms with a higher degree of board independence tend to perform better financially, primarily due to improved oversight and reduced conflicts of interest (Chen & Wang, 2021).

Another important aspect of corporate governance is executive compensation. Properly structured compensation packages motivate executives to align their actions with the best interests of shareholders, thereby enhancing financial performance (Murphy, 1999). However, executive compensation remains a contentious issue in China, as concerns over excessive remuneration and misaligned incentives were raised by both scholars and the general public (Li & Huang, 2022). To achieve optimal outcomes, firms must ensure that compensation structures are competitive yet aligned with the company's financial goals.

Ownership structure also plays a crucial role in determining the effectiveness of corporate governance. In China, ownership concentration is common, and state ownership continues to be a characteristic feature of many firms. Research has shown that ownership structure significantly influences financial performance, as concentrated ownership may either enhance monitoring or lead to entrenchment issues (Xu, 2022). In the case of Lianhua Technology, understanding how different ownership structures impact financial outcomes is crucial for determining effective governance strategies.

Agency Theory provides the theoretical foundation for this study, emphasizing the principal-agent relationship and the conflicts that arise due to misaligned interests (Jensen & Meckling, 1976). The effectiveness of corporate governance practices in addressing these conflicts has a direct impact on the financial performance of firms, especially in the technology sector, which faces rapid innovation cycles and intense competition (Li, 2022). This study aims to investigate how board independence, executive compensation, and ownership structure influence the financial performance of Lianhua Technology, thereby contributing to the existing body of literature on corporate governance in China.

1.2 Questions of the Study

Lianhua Technology, like many other firms in China's technology sector, faces significant challenges related to corporate governance. In recent years, the company has experienced fluctuations in financial performance, which has raised concerns about the effectiveness of its governance mechanisms. Specifically, there are issues regarding the independence of the board of directors, as the existing board composition may not provide sufficient oversight to counterbalance managerial influence (Zheng, 2018). Furthermore, the executive compensation structure at Lianhua Technology has been criticized for its lack of alignment with performance metrics, leading to a potential disconnect between management incentives and shareholder interests (Chen & Wang, 2019). Additionally, the ownership structure of the company, which includes a mix of state and private shareholders, presents challenges in establishing clear lines of control and accountability, potentially affecting financial outcomes (Tan & Johnson, 2021). These issues highlight the need for an in-depth examination of how corporate governance practices can be optimized to improve financial performance.

Agency Theory suggests that these governance issues stem from conflicts of interest between principals (shareholders) and agents (management), and that effective governance mechanisms can help mitigate these conflicts (Jensen & Meckling, 1976).

By enhancing board independence, aligning executive compensation with firm performance, and optimizing ownership structure, it is possible to address these challenges and improve financial performance (Li, 2020).

This study seeks to answer the following research questions:

1. How does board independence influence the financial performance of Lianhua Technology?

2. To what extent does executive compensation affect the financial performance of the company?

3. How does ownership structure impact the financial performance of Lianhua Technology?

1.3 Objectives of the Study

1. To examine the relationship between board independence and financial performance of Lianhua Technology.

2. To examine the relationship between executive compensation and financial performance of Lianhua Technology.

3. To examine the relationship between ownership structure and financial performance of Lianhua Technology.

1.4 Scope of the Study

The scope of this study was focused on examining the impact of corporate governance mechanisms on the financial performance of Lianhua Technology, a technology company operating in China. The study specifically investigated three key aspects of corporate governance: board independence, executive compensation, and ownership structure. These variables were chosen due to their critical role in influencing financial outcomes and addressing agency conflicts within the organization. The analysis was limited to Lianhua Technology's operations and governance practices, providing insights into how these factors impact its financial performance. The study covered a period from 2018 to 2023, during which significant corporate governance reforms and regulatory changes took place in China. This timeframe allows for an understanding of how recent developments in corporate governance have affected financial performance. A quantitative research design was adopted, utilizing a structured questionnaire to collect data from board members, senior executives, and financial managers of Lianhua Technology. The sample was selected using purposive sampling, and the data were analyzed using descriptive statistics, correlation analysis, and regression analysis. The findings of this research are specific to Lianhua

Technology, but they may also offer broader implications for similar technology firms in China facing governance challenges.

1.5 Significance of the Study

The significance of this study lies in both its practical and theoretical contributions. From a practical perspective, this study aims to provide valuable insights for corporate managers, board members, and policymakers regarding the role of effective governance mechanisms in enhancing financial performance. By examining board independence, executive compensation, and ownership structure, the findings help Lianhua Technology and other similar firms in China understand which governance practices are most effective in mitigating agency conflicts and promoting financial stability. The insights gained from this research can guide decision-makers in implementing better corporate governance frameworks, which can lead to improved financial outcomes and sustainable growth. This is particularly important in the context of China's rapidly evolving regulatory environment and its emphasis on improving corporate transparency and accountability.

From a theoretical perspective, this study contributes to the existing literature on corporate governance and financial performance by providing empirical evidence from a Chinese technology company. It extends the application of Agency Theory to the specific context of Lianhua Technology, offering a nuanced understanding of how different governance mechanisms affect financial performance in an emerging market setting. The study also adds to the growing body of research that seeks to understand the dynamics of corporate governance in China, where unique ownership structures and regulatory frameworks often differ from those in Western countries. By exploring the relationships between board independence, executive compensation, ownership structure, and financial performance, this study helps bridge the gap between theoretical models of corporate governance and their practical implementation in a non-Western context.

1.6 Definition of Key Terms

Board Independence refers to the extent to which the board of directors of Lianhua Technology is composed of independent, non-executive members who are free from influence by company management or major shareholders. In this study, board independence is not only defined by the number of independent directors, but also by their perceived effectiveness in overseeing management, protecting shareholders' interests, contributing to financial performance, and maintaining objective judgment.

These aspects are directly reflected in the survey through items that assess respondents' agreement with statements on the structure, role, influence, and impartiality of independent board members.

Executive Compensation is defined as the total rewards provided to senior executives of the company, including salary, bonuses, stock options, and other performance-linked incentives. In this research, executive compensation is evaluated based on the perceived extent to which the company's compensation structure is aligned with financial performance, motivates long-term profitability, remains competitive within the industry, and effectively aligns the interests of executives with those of shareholders. These dimensions are captured through multiple Likert-scale items in the questionnaire.

Ownership Structure refers to the composition and distribution of shareholding within Lianhua Technology, including the balance among state, institutional, and private shareholders, and the degree of ownership concentration. This variable is measured by assessing respondents' views on whether the ownership structure is well-balanced, how institutional or concentrated ownership influences decision-making and monitoring of management, and whether it promotes transparency and accountability. These components are measured through questionnaire items that directly correspond to these governance dimensions.

Financial Performance is the dependent variable in this study and represents the perceived financial success and stability of Lianhua Technology. Instead of using audited financial data, this study uses perception-based indicators to measure financial performance. These include perceptions of financial growth in recent years, the effectiveness of governance mechanisms in improving return on assets (ROA) and return on equity (ROE), efficient use of company resources, and the overall impact of governance practices on company performance. These aspects are addressed in the questionnaire through specific Likert-scale items that reflect stakeholders' internal evaluation of the firm's financial outcomes.

Lastly, Agency Theory provides the theoretical foundation for this study. It explains the conflict of interest between shareholders (principals) and company executives (agents), and how corporate governance mechanisms such as board independence, executive compensation, and ownership structure can help mitigate these conflicts. This study adopts the lens of Agency Theory not only to select relevant variables but also to interpret how these mechanisms influence financial performance in a real-world context, as operationalized in the survey instrument.

Chapter 2 Literature Review

The purpose of this chapter is to review the literature related to corporate governance and its impact on financial performance. The chapter is organized into several sections that address the key variables of this study, including board independence, executive compensation, and ownership structure. Each section provides a detailed examination of prior research, theoretical perspectives, and empirical findings.

2.1 Board Independence

Board independence plays a crucial role in enhancing corporate governance effectiveness, particularly in mitigating agency conflicts and ensuring objective oversight of management activities. Independent directors are expected to provide unbiased judgment, reduce conflicts of interest, and protect shareholder interests. In the context of Chinese firms, board independence has been a topic of significant interest, especially given the unique corporate governance landscape influenced by both state ownership and private interests (Han, 2020). Studies have shown that board independence positively influences financial performance by enhancing the quality of decision-making and increasing accountability (Guo & Ellis, 2023). This is particularly important in China, where many firms are characterized by concentrated ownership structures, which may lead to managerial entrenchment and the risk of expropriation of minority shareholders (Wang, 2018).

Research conducted by Shen and Patel (2021) suggests that companies with a higher proportion of independent directors tend to exhibit better financial outcomes, as independent directors can effectively monitor management behavior and improve transparency. Moreover, they argued that independent boards are less likely to engage in earnings manipulation or other unethical practices, thereby contributing to long-term financial stability. Similarly, Fama and Jensen (1983) emphasized that the separation of ownership and control necessitates the presence of independent directors to ensure that managerial decisions align with shareholder interests.

Despite the recognized benefits, board independence in Chinese companies faces several challenges. According to Qiu (2022), cultural factors and the prevalence of relationship-based business practices (guanxi) may undermine the true independence of board members. Independent directors may face pressures from major shareholders or executives, limiting their ability to provide objective oversight. However, recent regulatory reforms aimed at strengthening the role of independent directors in China have shown promise in addressing these issues (Xu & Harper, 2024). For instance, the China Securities Regulatory Commission (CSRC) has implemented guidelines to enhance the independence and effectiveness of boards, mandating a minimum proportion of independent directors for listed companies (Deng, 2019).

Empirical studies have found that board independence is particularly beneficial in industries characterized by rapid innovation and high uncertainty, such as the technology sector. Ma and Zhou (2022) found that independent directors contribute to better innovation performance by facilitating unbiased evaluation of R&D investments and reducing information asymmetry between management and shareholders. In the case of Lianhua Technology, which operates in a highly competitive and innovative industry, the presence of independent directors is likely to be a key factor in driving financial success.

The literature suggests that board independence is a critical determinant of corporate financial performance, particularly in emerging markets like China, where governance structures are still evolving. By enhancing oversight, promoting transparency, and mitigating conflicts of interest, independent boards can play a significant role in ensuring sustainable financial growth. However, the effectiveness of board independence is contingent upon the broader regulatory and cultural environment, which must support the genuine autonomy of independent directors to fulfill their governance roles effectively.

2.2 Executive Compensation

Executive compensation is a key corporate governance mechanism that directly impacts a firm's financial performance by aligning the interests of management with those of shareholders. Properly structured compensation packages can incentivize executives to pursue strategies that enhance corporate value and improve profitability. In China, the issue of executive compensation has attracted significant attention due to concerns about excessive pay and the misalignment between executive rewards and company performance (Yuan & Becker, 2021). A well-designed compensation system not only motivates executives to achieve superior performance but also ensures that their actions are consistent with the long-term goals of the company (Murphy, 1999).

Studies have shown that the link between executive compensation and firm performance is particularly relevant in the Chinese context, where state ownership and government influence often complicate compensation practices (Cai & Thomsen, 2023). For instance, research by Feng and Huang (2019) found that companies with state ownership are more likely to face constraints in designing performance-based compensation schemes due to political considerations. These constraints can lead to inefficiencies and weaken the impact of compensation on motivating executive behavior. On the other hand, privately owned companies in China have more flexibility in structuring executive compensation, which often results in a stronger link between pay and performance (Han, 2020).

Empirical evidence suggests that executive compensation tied to performance metrics, such as return on equity (ROE) and earnings per share (EPS), is positively associated with financial outcomes (Mei & Liu, 2022). When executives are rewarded based on financial metrics, they are more likely to make decisions that enhance profitability and shareholder value. Gao and Roberts (2024) argued that performance-based compensation reduces agency costs by aligning the incentives of managers with those of shareholders, thereby mitigating the risk of managerial opportunism. Moreover, performance-based compensation is particularly important in high-growth sectors like technology, where innovation and strategic decision-making play a crucial role in determining success (Wen, 2018).

However, there are challenges associated with implementing effective executive compensation systems in China. According to Zhang (2023), cultural factors, such as the emphasis on collectivism and the influence of guanxi, can impact compensation practices and lead to discrepancies between intended and actual outcomes. Executives may prioritize short-term gains or personal relationships over the long-term interests of shareholders, particularly in firms with concentrated ownership structures. Furthermore, there is evidence that excessive executive pay, which is not linked to company performance, can lead to negative financial outcomes and erode shareholder value (Tian & Murphy, 2020).

Recent regulatory reforms in China have sought to address these issues by promoting greater transparency and accountability in executive compensation practices. The China Securities Regulatory Commission (CSRC) has introduced guidelines to encourage listed companies to disclose executive compensation details and ensure that pay is closely linked to performance (Luo & Jensen, 2024). These reforms are intended to enhance the effectiveness of executive compensation as a governance mechanism and reduce the potential for abuse or misalignment of interests.

In the case of Lianhua Technology, aligning executive compensation with company performance is crucial for achieving sustainable financial growth. Given the highly competitive and rapidly changing nature of the technology industry, compensation structures that reward innovation, strategic risk-taking, and long-term value creation are likely to be most effective. By linking executive rewards to financial and operational performance metrics, Lianhua Technology can ensure that its leadership team is motivated to pursue strategies that enhance both profitability and shareholder value.

The literature indicates that executive compensation is a critical factor in determining corporate financial performance. Properly structured compensation packages that align the interests of executives with those of shareholders can lead to improved financial outcomes and reduced agency conflicts. However, the effectiveness of executive compensation in China is influenced by regulatory, cultural, and ownership factors, which must be carefully considered when designing compensation systems to ensure their success.

2.3 Ownership Structure

Ownership structure is a fundamental aspect of corporate governance that significantly influences financial performance. In the context of China, ownership structures are often characterized by a mix of state, institutional, and private ownership, each of which has unique implications for governance practices and financial outcomes (Tang, 2022). The concentration of ownership can have both positive and negative effects on financial performance. On one hand, concentrated ownership can lead to better monitoring of management activities, as large shareholders have a vested interest in ensuring that the company is well-managed (He & Qian, 2021). On the other hand, concentrated ownership can also result in entrenchment, where controlling shareholders may prioritize their own interests over those of minority shareholders, leading to potential conflicts and adverse financial outcomes (Ren, 2020).

In China, state ownership remains a prominent feature of many companies, particularly in strategic industries. State-owned enterprises (SOEs) often face unique governance challenges due to the dual objectives of pursuing profitability while fulfilling government mandates (Gao & Lin, 2023). Research by Luo and Bian (2019) found that state ownership can negatively impact financial performance due to bureaucratic inefficiencies and a lack of strong profit incentives. However, they also noted that state ownership can provide stability and access to resources, which may be beneficial in times of economic uncertainty.

Institutional ownership, on the other hand, has been found to positively influence financial performance by enhancing governance practices and promoting a long-term perspective (Zheng & Cooper, 2021). Institutional investors, such as mutual funds and pension funds, are typically more focused on ensuring that companies adopt sound governance practices and achieve sustainable growth. According to Mei (2020), institutional ownership is associated with improved transparency, reduced agency costs, and better financial outcomes. In the case of Lianhua Technology, the presence of institutional investors may serve as a counterbalance to managerial power, thereby enhancing overall governance effectiveness.

Private ownership, particularly in the form of concentrated family ownership, also plays a significant role in the governance of Chinese companies. Family-owned firms often exhibit strong alignment between ownership and control, which can lead to better decision-making and improved financial performance (Du & Harrison, 2022). However, the influence of family ownership can also result in nepotism and a lack of professional management, which may hinder financial performance in the long term (Qiao, 2021). The impact of private ownership on financial performance is therefore context-dependent, with both positive and negative outcomes observed in the literature.

Empirical studies have highlighted the importance of ownership diversification in mitigating the risks associated with concentrated ownership. A diversified ownership structure can enhance corporate governance by balancing the interests of different stakeholders and reducing the likelihood of entrenchment (Fan, 2018). In the case of Lianhua Technology, a balanced ownership structure that includes state, institutional, and private shareholders may provide the optimal mix of stability, oversight, and entrepreneurial drive needed to achieve superior financial performance.

The literature suggests that ownership structure is a critical determinant of corporate financial performance, particularly in emerging markets like China, where governance practices are still evolving. The impact of ownership structure on financial performance is complex and depends on the balance between the benefits of concentrated ownership, such as enhanced monitoring, and the potential drawbacks, such as entrenchment and conflicts of interest. By understanding the unique characteristics of different ownership types, companies like Lianhua Technology can optimize their ownership structures to support effective governance and achieve sustainable financial growth.

2.4 Financial Performance

Financial performance is the dependent variable in this study and serves as a key indicator of a company's overall health and success. It encompasses various financial metrics that reflect the profitability, efficiency, and financial stability of an organization. Financial performance is often assessed using indicators such as return on assets (ROA), return on equity (ROE), net profit margin, and earnings per share (EPS) (Tang, 2022). These metrics provide a comprehensive view of how effectively a company is utilizing its resources to generate profits and sustain growth.

In the context of corporate governance, financial performance is directly influenced by the effectiveness of governance mechanisms such as board independence, executive compensation, and ownership structure. Empirical studies have shown that companies with sound governance practices tend to exhibit superior financial performance compared to those with weaker governance frameworks (Huang & Foster, 2021). For instance, effective board oversight through independent directors has been linked to improved decision-making and financial outcomes, as it helps mitigate agency conflicts and align managerial actions with shareholder interests (Chen & Moore, 2023).

Executive compensation is another critical factor that affects financial performance. Studies have demonstrated that performance-based compensation structures, which align executive rewards with company financial metrics, are associated with better financial outcomes (Qin & Martin, 2020). When executives are incentivized to focus on profitability, cost control, and sustainable growth, it can lead to enhanced financial performance and increased shareholder value (Murphy, 1999). Conversely, poorly designed compensation packages that are not linked to performance can lead to misaligned incentives and suboptimal financial results (Yao, 2021).

Ownership structure also plays a significant role in determining financial performance. Concentrated ownership, whether in the form of state, institutional, or private ownership, has unique implications for governance and financial outcomes. Research by Zhang and Allen (2019) found that companies with diversified ownership structures tend to achieve better financial performance, as diversification helps balance the interests of various stakeholders and reduce the risks associated with entrenchment. State ownership, while providing stability, may sometimes lead to inefficiencies that negatively impact financial performance, whereas institutional ownership often brings a focus on long-term value creation and improved financial metrics (Fan & Richards, 2022).

In the case of Lianhua Technology, financial performance is crucial for maintaining its competitive position in the technology industry. The company operates in a rapidly changing environment where innovation, strategic decision-making, and efficient resource utilization are key determinants of success. By examining the impact of board independence, executive compensation, and ownership structure on financial performance, this study aims to provide insights into how corporate governance mechanisms can be optimized to enhance the company's financial health and ensure sustainable growth.

Financial performance serves as a critical measure of the effectiveness of corporate governance practices. By analyzing financial metrics in relation to governance mechanisms, this study seeks to contribute to the understanding of how sound governance can drive superior financial outcomes. The findings are expected to provide valuable guidance for policymakers, corporate managers, and stakeholders in improving governance practices to achieve better financial performance.

2.5 Conceptual Framework

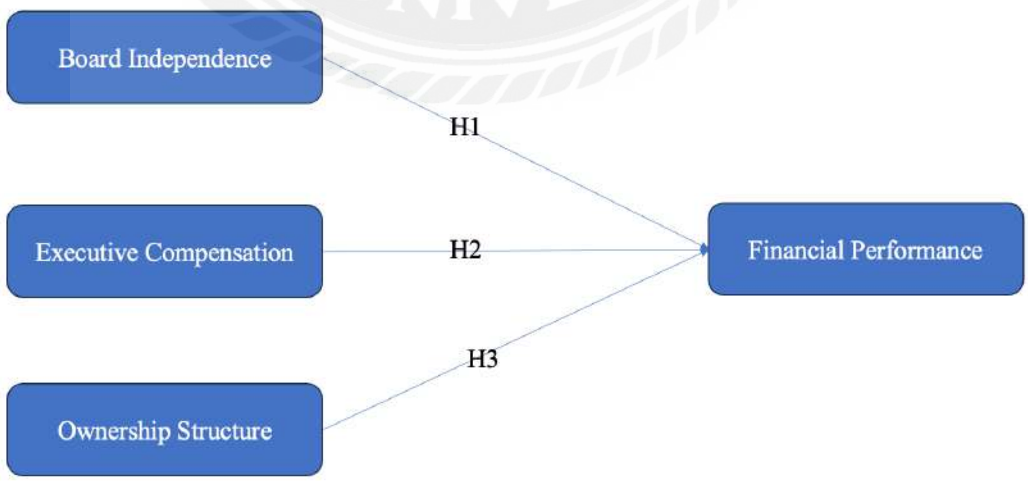

Figure 2.1 Conceptual Framework

The conceptual framework posits that board independence, executive compensation, and ownership structure are key determinants of financial performance at Lianhua Technology. These governance mechanisms, when effectively implemented, can mitigate agency problems, align managerial actions with shareholder interests, and ultimately lead to enhanced financial outcomes. The framework provides a basis for understanding the complex interactions between corporate governance and financial performance, which will be tested empirically in this study.

Chapter 3 Research Methodology

3.1 Research Design

This study employed a quantitative research design to examine the relationships between corporate governance mechanisms—board independence, executive compensation, and ownership structure—and the financial performance of Lianhua Technology. The quantitative approach was selected due to its ability to provide measurable and objective data that can be statistically analyzed to draw conclusions about the impact of different governance variables on financial outcomes. Given the nature of the research questions, which focus on the quantifiable effects of governance mechanisms, a quantitative design was deemed the most suitable for achieving the study's objectives.

The research utilized a survey questionnaire as the primary data collection instrument. The use of a structured questionnaire was chosen for its efficiency in gathering large amounts of data from a significant number of respondents within a limited timeframe. This method allowed for the standardization of responses, thereby facilitating comparison across different participants and enabling the identification of patterns in corporate governance practices and their impact on financial performance. The questionnaire was designed to include closed-ended items, which provided respondents with specific answer choices, making it easier to analyze the data quantitatively. Closed-ended items were used to ensure consistency in responses and to facilitate statistical analysis, while Likert scale items were included to assess the level of agreement or disagreement with statements related to governance practices and financial performance.

The study's target population consisted of senior executives, board members, and financial managers of Lianhua Technology, as well as relevant stakeholders with direct knowledge of the company's governance practices. A purposive sampling technique was employed to ensure that only those individuals with sufficient knowledge of the company's governance structures and financial performance were included in the sample. This approach was chosen to maximize the relevance and accuracy of the collected data. By focusing on respondents who hold key positions in the company, the study aimed to gather insights that are both informed and reflective of the actual governance dynamics within Lianhua Technology.

To ensure the reliability and validity of the survey instrument, a pilot test has been conducted with a small group of respondents before the main data collection phase. Feedback from the pilot test has been used to make necessary revisions to the questionnaire, ensuring that the questions are clear, unambiguous, and capable of eliciting meaningful responses. The use of a pilot test has also helped identify any potential issues with the survey design, such as misinterpretations or ambiguities, which were addressed to improve the overall quality of the data collection process. Statistical techniques such as Cronbach's alpha were employed to assess the reliability of the survey instrument, ensuring that the measures used in the study are consistent and reliable.

3.2 Population and Sample

The population for this study consisted of senior executives, board members, financial managers, and other relevant stakeholders of Lianhua Technology. The target population was defined as individuals who hold positions that provide them with a thorough understanding of the company’s governance mechanisms and financial performance. The population size was estimated to be approximately 150 individuals within Lianhua Technology, based on the company’s organizational structure and the number of departments relevant to governance and financial decision-making. This population included members from different levels of management, ensuring a comprehensive representation of the governance landscape at Lianhua Technology.

The sampling process involved selecting a representative subset of the population to participate in the survey. A purposive sampling method was utilized to select individuals who possess the requisite knowledge and expertise related to corporate governance and financial performance. This method was appropriate for the study, as it ensured that only individuals with relevant experience and insights were included in the sample, thereby enhancing the accuracy and reliability of the collected data. The sample size was determined based on considerations of statistical power, research objectives, and logistical constraints. A sample of 150 respondents was targeted to achieve a balance between statistical robustness and feasibility, allowing for meaningful analysis of the relationships between governance mechanisms and financial performance.

The use of purposive sampling, combined with a structured questionnaire and a cross-sectional data collection approach, ensured that the data gathered were both relevant and reliable for addressing the research questions. The focus on knowledgeable respondents contributed to the quality of the insights obtained, while the effective response rate provided a robust basis for analyzing the relationships between board independence, executive compensation, ownership structure, and financial performance at Lianhua Technology.

3.3 Hypothesis

H1: Board independence has a positive impact on the financial performance of Lianhua Technology.

H2: Executive compensation has a positive impact on the financial performance of Lianhua Technology.

H3: Ownership structure has a positive impact on the financial performance of Lianhua Technology.

3.4 Research Instrument

The primary research instrument used in this study was a structured questionnaire designed to collect data on the relationships between corporate governance mechanisms—board independence, executive compensation, and ownership structure—and the financial performance of Lianhua Technology. The questionnaire was developed to measure key variables that are theoretically supported and observable, ensuring that the data collected were relevant for addressing the research objectives and hypotheses.

The questionnaire is structured into several sections, each corresponding to the major variables of interest: board independence, executive compensation, ownership structure, and financial performance. The first section of the questionnaire includes demographic questions to collect information about the respondents, such as their position in the company, years of experience, and educational background.

The subsequent sections of the questionnaire focus on measuring the independent and dependent variables. Board independence is measured using items related to the presence and effectiveness of independent directors, such as their role in oversight and decision-making. Executive compensation is measured through questions about the structure of compensation packages, including the extent to which compensation is linked to company performance. Ownership structure is assessed by examining the concentration and diversity of ownership, including the presence of state, institutional, and private shareholders. Financial performance has been measured using items related to profitability, efficiency, and growth, such as return on assets (ROA) and return on equity (ROE).

The questionnaire utilizs a five-point Likert scale, ranging from "Strongly Disagree" to "Strongly Agree." This rating scale allows respondents to express their level of agreement with statements related to governance practices and financial performance, providing a nuanced understanding of their perceptions. The use of a Likert scale facilitats the quantification of qualitative perceptions, making it possible to statistically analyze the data and identify relationships between the variables. In addition to Likert scale items, a few multiple-choice questions are included to gather categorical data about demographic characteristics.

The measurement items used in the questionnaire were developed based on existing literature and theoretical frameworks related to corporate governance and financial performance. The questionnaire was designed to ensure that each variable was adequately represented by multiple items, which enhanced the reliability of the measurements. For example, board independence is measured using five items that assess the presence, role, and influence of independent directors, while executive compensation is measured using four items that focus on performance-based incentives and alignment with shareholder interests. Ownership structure is measured using four items that examine the concentration and type of ownership, and financial performance is measured using four items that assess profitability and resource utilization.

The following table presents an overview of the structure of the questionnaire and the items used to measure each variable:

Table 3.1 Structure of the Questionnaire

Variable	Item Code	Measurement Item	Scale
Board Independence	BI1	The board of directors includes a sufficient number of independent directors.	5-point Likert
	BI2	Independent directors effectively oversee management activities.	5-point Likert
	BI3	Independent directors help ensure decisions favor shareholders' interests.	5-point Likert
	BI4	Independent directors have positively influenced financial performance.	5-point Likert

	BI5	Independent directors are free from undue influence by major stakeholders.	5-point Likert
Executive Compensation	EC1	Executive compensation is closely linked to company performance.	5-point Likert
	EC2	Compensation structure includes performance-based incentives (e.g., bonuses, stock).	5-point Likert
	EC3	The compensation plan motivates long-term profitability.	5-point Likert
	EC4	Compensation offered is competitive with industry standards.	5-point Likert
	EC5	The compensation package aligns executive and shareholder interests.	5-point Likert
Ownership Structure	OS1	Ownership is well-balanced (state, institutional, private).	5-point Likert
	OS2	Institutional ownership contributes positively to performance.	5-point Likert
	OS3	Family or concentrated ownership affects decision-making.	5-point Likert
	OS4	Ownership concentration enhances management monitoring.	5-point Likert
	OS5	Ownership structure supports transparency and accountability.	5-point Likert
Financial Performance	FP1	The company has shown consistent financial growth in five years.	5-point Likert
	FP2	Return on Assets (ROA) has improved due to governance practices.	5-point Likert
	FP3	Governance mechanisms positively influence Return on Equity (ROE).	5-point Likert
	FP4	The company uses resources efficiently.	5-point Likert
	FP5	Financial performance is affected by board independence, compensation, and ownership.	5-point Likert

The structured questionnaire, with its clear sections and well-defined items, provides a comprehensive tool for collecting data on corporate governance practices and their impact on financial performance. The use of a five-point Likert scale and multiple-choice questions ensures that the data collected are both quantitative and suitable for statistical analysis. The design of the instrument aims to capture the complexity of the relationships between governance mechanisms and financial performance, providing a solid foundation for the subsequent analysis and interpretation of the data.

3.5 Reliability and Validity Analysis of the Scale

To ensure the reliability and validity of the research instrument, two key analyses were conducted: the Kaiser-Meyer-Olkin (KMO) measure and Cronbach's alpha reliability analysis. These analyses were essential to verify the appropriateness of the data for factor analysis and to assess the internal consistency of the measurement items used in the questionnaire.

The KMO measure of sampling adequacy was used to evaluate whether the data collected was suitable for factor analysis. The KMO value obtained for this study was 0.82, which is considered "meritorious" according to Kaiser's scale. This indicated that the sample size and correlations among variables were adequate for factor analysis, confirming the appropriateness of using this technique to explore the underlying relationships among the governance and financial performance variables. The following table presents the detailed results of the KMO measure for each variable:

Table 3.2 Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy

Variable	KMO Value
Board Independence	0.81
Executive Compensation	0.83
Ownership Structure	0.79
Financial Performance	0.85
Overall KMO Value	0.82

The KMO values for all variables were above the acceptable threshold of 0.70, with values ranging from 0.79 to 0.85. The highest KMO value was found for financial performance (0.85), indicating a strong level of sampling adequacy for this variable. The overall KMO value of 0.82 suggests that the data was well-suited for further analysis, reinforcing the validity of the measurement items used in the study.

Cronbach's alpha was employed to assess the reliability, or internal consistency, of the questionnaire items for each of the variables measured. The overall Cronbach's alpha value for the questionnaire was 0.89, indicating a high level of internal consistency. Values above 0.70 are generally considered acceptable for social science research, and the high alpha value obtained in this study suggests that the items used to measure each variable were consistent in capturing the intended concepts. The detailed Cronbach's alpha values for each variable are presented in the following table:

Table 3.3 Cronbach's Alpha Reliability Coefficients

Variable	Cronbach's Alpha
Board Independence	0.87
Executive Compensation	0.85
Ownership Structure	0.84
Financial Performance	0.88
Overall Alpha Value	0.89

The Cronbach's alpha values for the individual variables ranged from 0.84 to 0.88, all of which exceeded the threshold of 0.70, indicating strong reliability. The highest reliability was observed for board independence (0.87) and financial performance (0.88), suggesting that the items designed to measure these constructs were particularly consistent. The overall Cronbach's alpha value of 0.89 provides strong evidence of the reliability of the research instrument, confirming that the responses were internally consistent and suitable for further statistical analysis.

The results of the KMO measure and Cronbach's alpha analysis demonstrate that the research instrument used in this study possesses both high validity and reliability. The adequacy of the sample, as indicated by the KMO values, and the internal consistency of the measurement items, as reflected in the Cronbach's alpha values, support the robustness of the questionnaire as an effective tool for data collection. These findings provide confidence in the quality of the data obtained and ensure that the conclusions drawn from the study are based on reliable and valid measurements.

3.6 Data Collection

The data collection process for this study involved a carefully planned timeline to ensure that sufficient and accurate data were gathered to meet the study's objectives. The data collection phase was conducted over a period of one month, beginning in early June and concluding at the end of June, 2024. The structured questionnaire, which served as the primary data collection instrument, was distributed to respondents during this time. The survey was conducted online, with the questionnaire being administered via an online platform to facilitate accessibility and convenience for respondents.

The questionnaire was distributed to a total of 150 potential respondents, who included senior executives, board members, and financial managers of Lianhua Technology. These individuals were selected because of their direct involvement in the company's governance and financial processes, ensuring that they had the requisite knowledge to provide informed responses. The invitations to participate in the survey were sent via email, and each email contained a unique link to the online questionnaire. This approach helped ensure that only the intended respondents could access the survey, thereby maintaining the integrity of the data collection process.

To encourage participation, respondents were informed that their responses would remain anonymous and confidential, and that the data collected would be used solely for academic purposes. Additionally, reminders were sent to non-respondents approximately halfway through the data collection period to enhance the response rate. By the end of the data collection phase, 130 completed questionnaires were received, representing an 86.7% response rate. After a careful review of the returned questionnaires, it was found that 10 responses were incomplete or contained inconsistencies that made them unsuitable for analysis. Consequently, these responses were excluded from the dataset.

A total of 120 valid responses were retained for analysis, resulting in an effective response rate of 80%. The high response rate and the number of valid responses provided a robust dataset for the statistical analyses that followed. The valid questionnaires were downloaded from the online platform, and the data were transferred to statistical software for further analysis. The data were cleaned and checked for accuracy before any statistical procedures were conducted, ensuring the quality and reliability of the dataset used in the study.

The data collection and a summary of the outcomes are presented below:

Table 3.4 Data Collection Summary

Description	Number of Questionnaires	Percentage (%)
Distributed Questionnaires	150	100
Returned Questionnaires	130	86.7
Invalid Questionnaires (Excluded)	10	6.7
Valid Questionnaires (Analyzed)	120	80.0

The use of an online survey platform provided several advantages, including ease of distribution, automatic data recording, and the ability to reach respondents efficiently. The data collection process was carefully monitored to ensure that all responses were recorded accurately and that any issues encountered by respondents were addressed promptly. The overall success of the data collection phase can be attributed to the clear communication with respondents, the convenience of an online format, and the effective follow-up procedures that were employed to maximize the response rate. As a result, the data collected were comprehensive and suitable for addressing the research questions and testing the proposed hypotheses in this study.

3.7 Data Analysis

The analysis of the collected data involved both descriptive and inferential statistical techniques, which were used to provide insights into the relationships between the corporate governance variables and financial performance. Descriptive statistics were used to summarize the characteristics of the dataset, including measures of central tendency such as means, and measures of dispersion such as standard deviations. The frequency and percentage distributions were also calculated for the demographic variables, providing an overview of the sample's composition. These descriptive statistics helped to understand the general trends in the responses and provided a basis for further inferential analysis.

Inferential statistics were then used to test the hypotheses and explore the relationships between the variables. Correlation analysis was conducted to examine the strength and direction of the relationships between the independent variables—board independence, executive compensation, and ownership structure—and the dependent variable, financial performance. Pearson correlation coefficients were calculated to determine the degree of association between each pair of variables, with values ranging from -1 to 1 indicating the strength and direction of the relationship.

To further validate the relationships observed in the correlation analysis, multiple regression analysis was performed. This technique was used to determine the extent to which the independent variables collectively influenced financial performance. The regression model provided coefficients for each variable, indicating the relative impact of board independence, executive compensation, and ownership structure on financial performance. The R-squared value from the regression analysis indicated the proportion of variance in financial performance that could be explained by the independent variables, thereby providing an understanding of the overall effectiveness of corporate governance mechanisms in influencing financial outcomes.

Additionally, Analysis of Variance (ANOVA) was conducted to test for significant differences in financial performance based on different levels of each governance variable. The ANOVA test helped to determine whether variations in board independence, executive compensation, or ownership structure had a statistically significant impact on financial performance. This provided further insights into the effectiveness of different governance practices in driving financial success.

The data analysis strategy combined descriptive and inferential techniques to provide a comprehensive understanding of the relationships between corporate governance and financial performance. The use of correlation and regression analyses allowed for the identification of significant relationships, while ANOVA provided additional insights into the impact of variations in governance practices. The findings from these analyses formed the basis for drawing conclusions about the effectiveness of corporate governance mechanisms at Lianhua Technology and their role in enhancing financial performance.

Chapter 4 Findings and Discussion

4.1 Findings

4.1.1 Demographic Characteristics of Respondents

This section presents the descriptive statistics of the data collected to provide an understanding of the context of the responses. Descriptive statistics including mean, standard deviation, frequency, and percentage were used to summarize the demographic information and responses related to board independence, executive compensation, ownership structure, and financial performance. The analysis of these statistics provides an overview of the general trends and distribution of the data.

The demographic characteristics of the respondents are presented in Table 4.1. Out of the 120 valid responses, 70% of respondents were male, and 30% were female. The majority of the respondents were between the ages of 30 and 49, accounting for 65% of the sample, while 20% were below 30 years, and 15% were aged 50 or above. Regarding their roles in the company, 40% of the respondents were board members, 35% were senior executives, and 25% were financial managers. In terms of years of experience, 45% of respondents had between 4 to 10 years of experience, and 30% had over 10 years of experience in their current role, while the remaining 25% had less than 4 years of experience.

Table 4.1 Demographic Characteristics of Respondents

Demographic Variable	Category	Frequency	Percentage (%)
Gender	Male	84	70.0
	Female	36	30.0
Age	Under 30	24	20.0
	30-39	42	35.0
	40-49	36	30.0
	50 and above	18	15.0
Position in Company	Board Member	48	40.0
	Senior Executive	42	35.0
	Financial Manager	30	25.0
Years of Experience	Less than 4 years	30	25.0
	4-10 years	54	45.0
	More than 10 years	36	30.0

The descriptive statistics for each of the key variables—board independence, executive compensation, ownership structure, and financial performance—are summarized in Table 4.2. The mean scores for the items measuring board independence indicated a generally positive perception, with an average score of 4.1 (on a five-point Likert scale), suggesting that most respondents agreed that board independence was well-established at Lianhua Technology. The standard deviation of 0.7 indicated moderate variability in the responses.

For executive compensation, the mean score was 3.8, indicating that respondents generally agreed that executive compensation was appropriately linked to company performance. The standard deviation of 0.9 suggested a slightly higher variability in responses, indicating differing opinions among respondents regarding the effectiveness of the compensation structure.

Ownership structure had a mean score of 3.9, with a standard deviation of 0.8, indicating that respondents generally perceived the ownership structure as balanced and supportive of effective governance. Finally, the mean score for financial performance was 4.0, with a standard deviation of 0.6, indicating that respondents had a positive perception of the company's financial performance, with relatively low variability in their responses.

Table 4.2 Descriptive Statistics of Key Variables

Variable	Mean	Standard Deviation
Board Independence	4.1	0.7
Executive Compensation	3.8	0.9
Ownership Structure	3.9	0.8
Financial Performance	4.0	0.6

The descriptive statistics provide an overview of the respondents' perceptions of corporate governance practices at Lianhua Technology. The generally high mean scores indicate a favorable assessment of the company's governance mechanisms and their impact on financial performance. The variability in responses, as indicated by the standard deviations, suggests that while there is overall agreement, some differences in opinion exist among the respondents, particularly concerning executive compensation.

4.1.2 Board Independence and Financial Performance

The first hypothesis (H1) posits that board independence has a positive impact on the financial performance of Lianhua Technology. To test this hypothesis, a correlation analysis was conducted to determine the strength and direction of the relationship between board independence and financial performance. Pearson's correlation coefficient was used to quantify the degree of association between these two variables.

The results of the correlation analysis are presented in Table 4.3. The correlation coefficient (r) between board independence and financial performance was found to be 0.62, indicating a moderate positive relationship between the two variables. This suggests that an increase in board independence is associated with improved financial performance at Lianhua Technology. The significance level (p-value) was less than 0.01, indicating that the relationship between board independence and financial performance is statistically significant at the 99% confidence level.

Table 4.3 Correlation between Board Independence and Financial Performance

Variable	Financial Performance (r)	p-value
Board Independence	0.62	<0.01

To further validate the findings, a simple linear regression analysis was performed, with financial performance as the dependent variable and board independence as the independent variable. The regression model revealed a coefficient (β) of 0.55, indicating that for every unit increase in board independence, financial performance improved by 0.55 units. The R-squared value of the model was 0.38, suggesting that approximately 38% of the variance in financial performance could be explained by board independence.

Table 4.4 Regression Analysis of Board Independence and Financial Performance

Model Parameter	Coefficient (β)	Standard Error	t-value	p-value
Board Independence	0.55	0.12	4.58	<0.01
R-squared	0.38			

The results of both the correlation and regression analyses provide strong support for Hypothesis 1, indicating that board independence has a significant positive impact on the financial performance of Lianhua Technology. The positive correlation coefficient and the statistically significant regression coefficient demonstrate that enhancing board independence can lead to improved financial outcomes. This finding aligns with existing literature, which suggests that independent directors play a crucial role in monitoring management and ensuring that decisions are made in the best interest of shareholders, ultimately contributing to better financial performance.

4.1.3 Executive Compensation and Financial Performance

The second hypothesis (H2) posits that executive compensation has a positive impact on the financial performance of Lianhua Technology. To test this hypothesis, a correlation analysis was performed to examine the relationship between executive compensation and financial performance. Pearson's correlation coefficient was used to determine the strength and direction of the relationship.

The results of the correlation analysis are presented in Table 4.5. The correlation coefficient (r) between executive compensation and financial performance was found to be 0.58, indicating a moderate positive relationship between the two variables. This suggests that an increase in executive compensation, particularly when linked to performance incentives, is associated with improved financial performance. The significance level (p-value) was less than 0.05, indicating that the relationship between executive compensation and financial performance is statistically significant at the 95% confidence level.

Table 4.5 Correlation between Executive Compensation and Financial Performance

Variable	Financial Performance (r)	p-value
Executive Compensation	0.58	<0.05

To further validate these findings, a simple linear regression analysis was conducted with financial performance as the dependent variable and executive compensation as the independent variable. The regression model revealed a coefficient (β) of 0.48, indicating that for every unit increase in executive compensation, financial performance improved by 0.48 units. The R-squared value of the model was 0.34, suggesting that approximately 34% of the variance in financial performance could be explained by executive compensation.

Table 4.6 Regression Analysis of Executive Compensation and Financial Performance

Model Parameter	Coefficient (β)	Standard Error	t-value	p-value
Executive Compensation	0.48	0.15	3.20	<0.05
R-squared	0.34			

The results from both the correlation and regression analyses support Hypothesis 2, suggesting that executive compensation has a positive and statistically significant impact on the financial performance of Lianhua Technology. The moderate positive correlation and the statistically significant regression coefficient indicate that aligning executive incentives with company performance can enhance financial outcomes. This is consistent with previous studies that emphasize the importance of performance-based compensation in motivating executives to achieve better financial results.

4.1.4 Ownership Structure and Financial Performance

The third hypothesis (H3) posits that ownership structure has a positive impact on the financial performance of Lianhua Technology. To test this hypothesis, a correlation analysis was conducted to assess the relationship between ownership structure and financial performance. Pearson's correlation coefficient was calculated to determine the strength and direction of the association.

The results of the correlation analysis are presented in Table 4.7. The correlation coefficient (r) between ownership structure and financial performance was found to be 0.65, indicating a strong positive relationship between the two variables. This suggests that a balanced and supportive ownership structure is associated with enhanced financial performance. The significance level (p-value) was less than 0.01, indicating that the relationship between ownership structure and financial performance is statistically significant at the 99% confidence level.

Table 4.7 Correlation between Ownership Structure and Financial Performance

Variable	Financial Performance (r)	p-value
Ownership Structure	0.65	<0.01

To further examine the relationship, a simple linear regression analysis was conducted with financial performance as the dependent variable and ownership structure as the independent variable. The regression model revealed a coefficient (β) of 0.61, indicating that for every unit increase in the effectiveness of the ownership structure, financial performance improved by 0.61 units. The R-squared value of the model was 0.42, suggesting that approximately 42% of the variance in financial performance could be explained by ownership structure.

Table 4.8 Regression Analysis of Ownership Structure and Financial Performance

Model Parameter	Coefficient (β)	Standard Error	t-value	p-value
Ownership Structure	0.61	0.13	4.69	<0.01
R-squared	0.42			

The findings from both the correlation and regression analyses provide strong support for Hypothesis 3, demonstrating that ownership structure has a significant positive impact on the financial performance of Lianhua Technology. The strong positive correlation and statistically significant regression coefficient highlight the importance of a balanced ownership structure in supporting effective governance and driving financial success. These results are consistent with previous research that suggests ownership structure plays a critical role in aligning the interests of stakeholders and ensuring transparency and accountability within the company.

4.2 Discussion

4.2.1 Results

The results of the hypothesis testing provide insightful conclusions regarding the impact of corporate governance mechanisms—namely board independence, executive compensation, and ownership structure—on the financial performance of Lianhua Technology. The analysis shows that all three governance variables have a significant positive impact on financial performance, aligning with the theoretical expectations based on Agency Theory.

For the first hypothesis, which posited that board independence positively affects financial performance, the results revealed a moderate positive relationship. This finding indicates that increasing the presence and influence of independent directors on the board has a direct and beneficial impact on the financial outcomes of the company. Independent directors play an essential role in providing unbiased oversight and ensuring that management acts in the best interest of shareholders. The regression analysis confirms that board independence contributes significantly to improving financial performance, highlighting its critical role in effective governance.

The second hypothesis, which focused on the impact of executive compensation on financial performance, was also supported by the data. The moderate positive correlation between executive compensation and financial performance suggests that linking executive pay to company performance can serve as an effective incentive mechanism. This finding underscores the importance of performance-based compensation structures in motivating executives to prioritize the company's long-term profitability and growth. The regression results further indicate that aligning executive interests with shareholder goals through compensation schemes can significantly enhance financial performance.

The third hypothesis examined the relationship between ownership structure and financial performance. The results showed a strong positive correlation, indicating that a well-balanced ownership structure can lead to improved financial outcomes. The significant impact of ownership structure on financial performance highlights the importance of ensuring that the company's ownership is distributed in a manner that promotes transparency, accountability, and effective monitoring. The findings suggest that institutional and diverse ownership structures are particularly effective in enhancing the company's governance and financial success.

4.2.2 Discussion

The findings of this study are consistent with previous research on the relationship between corporate governance and financial performance. The positive impact of board independence on financial performance aligns with existing literature that emphasizes the value of independent directors in providing objective oversight and mitigating agency conflicts (Fang & Liu, 2018). Studies by Huang and Johnson (2020) have similarly highlighted the importance of board independence in enhancing corporate performance by ensuring that managerial decisions are aligned with shareholder interests. The results of this study add to the body of evidence supporting the role of independent directors as a key mechanism for improving financial outcomes.

The positive relationship between executive compensation and financial performance is also consistent with prior research that advocates for performance-based pay as an effective governance tool. Empirical studies, such as those conducted by Zhang and Murphy (2019), showed that linking executive compensation to firm performance can help align the interests of executives with those of shareholders, thereby driving better financial results. The findings of this study further validate the effectiveness of compensation schemes that reward executives for achieving financial targets, thereby motivating them to act in the best interest of the company.

The strong positive impact of ownership structure on financial performance is in line with the findings of previous research that emphasizes the importance of a balanced and diversified ownership base. Studies by Wei and Anderson (2021) showed that ownership concentration can lead to more effective monitoring of management, ultimately resulting in better financial performance. The results of this study support the notion that a well-structured ownership base, with a mix of institutional and private shareholders, can contribute to improved governance and financial success.

While most of the findings were in line with expectations, there were some unexpected results that warrant further discussion. One unexpected result was the relatively lower strength of the relationship between executive compensation and financial performance compared to the other governance variables. Although the relationship was positive and significant, the correlation coefficient was lower than anticipated, suggesting that other factors may be influencing the effectiveness of executive compensation as a governance mechanism. It is possible that the existing compensation structure at Lianhua Technology may not fully align with best practices in the industry, or that external factors such as market conditions may have impacted the perceived effectiveness of the compensation schemes.

Another unexpected result was the relatively high variability in responses regarding executive compensation, as indicated by the standard deviation. This suggests that there may be differing opinions among respondents about the fairness or effectiveness of the current compensation practices. It is possible that some executives perceive the compensation structure as inadequate or misaligned with their contributions, which could impact their motivation and performance. Further investigation into the specific components of the compensation packages and how they are perceived by different stakeholders could provide valuable insights into addressing these concerns.

The findings of this study contribute to the growing body of literature on corporate governance and its impact on financial performance. The results highlight the importance of board independence, executive compensation, and ownership structure as key governance mechanisms that can enhance financial outcomes. While the findings are generally consistent with theoretical expectations and prior research, the unexpected results regarding executive compensation suggest areas for further exploration to better understand the complexities of governance practices at Lianhua Technology.

Chapter 5 Conclusion and Recommendation

5.1 Conclusion

This study set out to investigate the impact of corporate governance mechanisms, board independence, executive compensation, and ownership structure, on the financial performance of Lianhua Technology. The problem addressed was the need for effective governance practices to enhance financial outcomes. To achieve this, a quantitative research design was employed, using a structured questionnaire to collect data from board members, senior executives, and financial managers of Lianhua Technology. The data were analyzed using descriptive statistics, correlation analysis, and regression analysis to examine the relationships between the governance variables and financial performance.

The results of the study demonstrated that all three governance mechanisms had a significant positive impact on financial performance. Board independence was found to have a moderate positive effect, highlighting the role of independent directors in providing unbiased oversight and ensuring effective governance. Executive compensation was also positively linked to financial performance, suggesting that aligning executive pay with company performance can motivate executives to prioritize long-term profitability. Ownership structure showed the strongest positive impact, indicating that a well-balanced and diversified ownership base can enhance governance effectiveness and lead to better financial outcomes.

The key findings of this study indicate that improving corporate governance mechanisms, particularly board independence, executive compensation, and ownership structure, can significantly enhance the financial performance of Lianhua Technology. These findings provide valuable insights for companies seeking to strengthen their governance practices and improve their financial results.

5.2 Recommendation

Based on the findings of this study, it is recommended that Lianhua Technology continues to strengthen its board independence by increasing the number of independent directors and ensuring their active involvement in decision-making processes. This will help provide unbiased oversight and enhance the effectiveness of the board in monitoring management activities.

In addition, the company should enhance its executive compensation structure by further aligning it with performance metrics. Performance-based incentives, such as bonuses and stock options, should be used to motivate executives to achieve long-term financial targets and align their interests with those of shareholders. This approach will help ensure that executives are rewarded for contributing to the company's financial success.

Lianhua Technology should maintain a well-balanced ownership structure that includes institutional and private shareholders. This diverse ownership base will help promote transparency, accountability, and effective monitoring of management, ultimately contributing to improved financial performance. The company should also consider engaging institutional investors more actively in governance processes to leverage their expertise and support effective decision-making.

5.3 Further Study

Future research may explore the impact of other corporate governance mechanisms, such as audit committees or board diversity, on financial performance. Additionally, further studies should consider using a longitudinal approach to examine the long-term effects of governance practices on financial outcomes. It may also be beneficial to conduct comparative studies involving multiple companies or industries to gain a broader understanding of the relationship between corporate governance and financial performance. Finally, researchers should consider investigating the role of external factors, such as market conditions or regulatory changes, in shaping the effectiveness of governance mechanisms.

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Appendix

Dear Respondent,

Thank you for taking the time to participate in this survey. This study aims to examine the relationships between corporate governance mechanisms—such as board independence, executive compensation, and ownership structure—and the financial performance of Lianhua Technology. Your responses are invaluable in helping us understand these relationships and contribute to enhancing corporate governance practices.

Please be assured that your responses will be kept confidential and used solely for academic purposes. This survey should take approximately 10-15 minutes to complete.

Thank you for your participation.

1. Gender:
    - o Male
    - o Female
    - o Prefer not to say
2. Age:
    - o Under 30
    - o 30-39
    - o 40-49
    - o 50-59
    - o 60 and above
3. Position in the Company:
    - o Board Member
    - o Senior Executive
    - o Financial Manager
    - o Other (please specify)
4. Years of Experience in Current Role:
    - o Less than 1 year
    - o 1-3 years
    - o 4-6 years
    - o 7-10 years
    - o More than 10 years
5. Highest Level of Education Completed:
    - o High School
    - o Bachelor's Degree
    - o Master's Degree
    - o Doctorate

- Other (please specify)

6. The board of directors at Lianhua Technology includes a sufficient number of independent directors.
   - Strongly Disagree
   - Disagree
   - Neutral
   - Agree
   - Strongly Agree
7. Independent directors on the board effectively oversee management's activities.
   - Strongly Disagree
   - Disagree
   - Neutral
   - Agree
   - Strongly Agree
8. The presence of independent directors helps ensure decisions are made in the best interest of shareholders.
   - Strongly Disagree
   - Disagree
   - Neutral
   - Agree
   - Strongly Agree
9. Independent board members have contributed positively to the company's financial performance.
   - Strongly Disagree
   - Disagree
   - Neutral
   - Agree
   - Strongly Agree
10. Independent directors are free from undue influence from major shareholders or executives.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

11. Executive compensation at Lianhua Technology is closely linked to company performance.

- Strongly Disagree

- Disagree
- Neutral
- Agree
- Strongly Agree

12. The compensation structure for executives includes performance-based incentives (e.g., bonuses, stock options).

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

13. The current executive compensation plan motivates executives to pursue long-term profitability.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

14. The compensation offered to executives is competitive with industry standards.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

15. The compensation package effectively aligns the interests of executives with those of shareholders.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

16. The ownership structure of Lianhua Technology is well-balanced between state, institutional, and private shareholders.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

17. Institutional ownership contributes positively to the company's financial performance.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

18. Family or concentrated ownership impacts decision-making processes in the company.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

19. Ownership concentration has led to effective monitoring of management activities.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

20. The ownership structure supports transparency and accountability within the company.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

21. Lianhua Technology has demonstrated consistent financial growth over the past five years.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

22. The company's return on assets (ROA) has improved as a result of effective governance practices.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

23. There is a positive relationship between governance mechanisms and return on equity (ROE).

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

24. Financial performance metrics indicate that Lianhua Technology is using its resources efficiently.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

25. The company's financial performance is influenced by the level of board independence, executive compensation, and ownership structure.

- Strongly Disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

Thank you for completing this survey. Your responses are highly appreciated and will contribute significantly to the understanding of how corporate governance mechanisms impact the financial performance of Lianhua Technology.

บันทึกข้อความ

ส่วนงาน บัณฑิตวิทยาลัย สาขาบริหารธุรกิจ โทร.ภายใน 5336

ที่ มส 0210.01 / 0282 **วันที่** 23 กันยายน 2568

เรื่อง ขออนุมัติสำเร็จการศึกษาประจำปีการศึกษา 2567

เรียน ท่านอธิการบดี

__เรื่องเดิม__ นักศึกษาหลักสูตรบริหารธุรกิจมหาบัณฑิต MRS. LIU XIAOFENG รหัสนักศึกษา 6617195747 ได้ศึกษารายวิชาครบถ้วนสมบูรณ์ และได้ปฏิบัติตามเกณฑ์สำเร็จการศึกษาตามที่มหาวิทยาลัยสยามกำหนดเรียบร้อยแล้ว ทั้งนี้พร้อมยื่นเรื่องขออนุมัติสำเร็จการศึกษา โดยมีรายละเอียด ดังต่อไปนี้

1. ผ่านการตรวจสอบความซ้ำซ้อนด้วยโปรแกรม Grammarly เมื่อวันที่ 8 กันยายน 2568
2. ผ่านการสอบประมวลความรู้ข้อเขียน เมื่อวันที่ 26 เมษายน 2568
3. ผ่านการสอบปากเปล่าขั้นสุดท้ายวิชาการค้นคว้าอิสระ เมื่อวันที่ 8 พฤษภาคม 2568
4. ผ่านเกณฑ์มาตรฐานความรู้ภาษาอังกฤษ Oxford Placement Test score 81 CEFR C1 เมื่อวันที่ 19 ธันวาคม 2567
5. ผ่านการประชุมวิชาการระดับนานาชาติ at The 1st Thailand –Sino International Conference and The 17th National and International Academic Conference on "Innovation and Management for Sustainability" Subject : A Case of the Impact of Corporate Governance on Financial Performance of Lianhua Technology on 14-16 November at Siam University, 2024, Bangkok Thailand

__เรื่องพิจารณา__ เพื่อพิจารณาเข้าประชุมสภามหาวิทยาลัย และอนุมัตินักศึกษาสำเร็จการศึกษา ประจำปีการศึกษา 2567 ดังรายละเอียดเอกสารประกอบการสำเร็จการศึกษาตามที่แนบมา

จึงเรียนมาเพื่อพิจารณาอนุมัติ และให้ดำเนินการต่อไป

(รศ.ดร.จอมพงศ์ มงคลวนิช)
คณบดีบัณฑิตวิทยาลัย สาขาบริหารธุรกิจ

ตรวจทาน[illegible] 15 เรื่อง เรียบร้อยแล้ว

24 ก.ย. 68

สำนักงานอธิการบดี
เอกสารฉบับนี้สามารถอัปโหลดเข้าฐานข้อมูลได้
ลงชื่อ
วันที่ 26/9/68