

# Can the Executive Pay Gap Promote High-Quality Corporate Development?

## —A Study of the Moderating Effect Based on Equity Concentration

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### Abstract

High-quality development is the primary task of China's comprehensive construction of a modern socialist country, and the high-quality development of corporates is the micro foundation of the country's high-quality development. Based on the panel data of A-share listed companies in China from 2010 to 2020, the relationship between the executive pay gap and the high-quality development of enterprises is examined. The findings show that the executive pay gap significantly promotes the high-quality corporate development, the influence mechanism is to improve the level of green innovation of enterprises, and the equity concentration negatively regulates the promotion effect of the executive pay gap on the high-quality corporate development. Analyzed by the nature of property rights, the executive pay gap has a greater effect on promoting the level of green innovation and high-quality development of non-state enterprises. The moderating effect of equity concentration is significantly negative in state-owned enterprises and significantly positive in non-state-owned enterprises. Therefore, in order to promote the high-quality corporate development, we should appropriately increase the executive pay gap, set a reasonable degree of equity concentration, strengthen the supervision of executive behavior, and enhance the level of green innovation.

### Keywords

Executive Pay Gap, High-Quality Corporate Development, Equity Concentration, Green Innovation, Regulatory Effect, China

## 1. Foreword

In 2022, the Chinese economy has entered a new era, transitioning from a stage

of rapid growth to a stage of high-quality development. The report of the 20th National Congress of the Communist Party of China pointed out that high-quality development is the primary task of comprehensively building a socialist modernized country. We must firmly adhere to the path of high-quality development, and the high-quality development of enterprises is an extremely important aspect (Huang et al., 2018). The high-quality development of enterprises requires higher competitiveness and efficiency, comprehensively improving quality and efficiency, in order to achieve stable growth and balanced development. In the past, research on the high-quality development of China's economy mostly focused on external influencing factors, lacking attention to internal factors that affect enterprises. Due to the separation of ownership and management rights in modern enterprises, various decisions in the development process of the enterprise are made by senior management personnel (referred to as "executives"). The key to the functioning of the executive team lies in the rationality of the compensation system. Therefore, reasonable incentive measures for executive compensation are crucial for the high-quality development of the enterprise.

The executive team is the decision-maker of corporate goals and decisions, determining the future development direction of the enterprise. Setting up a reasonable salary incentive mechanism can encourage executives to be diligent and responsible, effectively alleviate the agency problem between shareholders and management, and thereby improve the production efficiency of the enterprise. The salary level and salary structure are important factors in the design of salary incentive mechanisms. Compared to the salary level, the salary gap plays a more important incentive role for the executive team (Leonard, 1990). The executive salary gap is the salary difference between senior management personnel within a company. At present, there is a lot of research on the impact of executive compensation gap on corporate performance. On the one hand, a large salary gap between executives may motivate them to work hard to achieve better results (Kini & Williams, 2012; Sheng, Zhang, & Jiang, 2019); on the other hand, a large salary gap may make lower paying executives feel unfair and slack off, reducing their desire to work hard (Kang, Kang, & Zhu, 2020; Chan et al., 2020), so the impact is uncertain. However, there is still relatively little research on the impact of executive compensation gap on high-quality development of enterprises. High quality development of enterprises is not equivalent to enterprise performance. High quality development focuses on the expansion of internal reproduction, through the progress of production technology and the improvement of production factor utilization rate, improving the quality of production factors, and increasing labor productivity (Zhang & Bi, 2022), highlighting the important significance of production efficiency for economic development, therefore, high-quality development requires higher levels of executive competence.

This paper uses the panel data of listed companies in 2010-2020 to empirically

study the relationship between the executive compensation gap and the high-quality development of enterprises, and explores the influence mechanism of the executive pay gap on the high-quality development of enterprises from the perspective of the adjustment effect of equity concentration. Compared with the existing literature, the possible innovations of this paper are: first, it discusses the impact of the internal executive compensation gap on the high-quality development of the enterprise, and from the perspective of green innovation, enriches the research on the regulation of the concentration of equity concentration on the development of the executive compensation gap, thus affecting the effect of the executive compensation gap on the high-quality development of the enterprise. Third, given the large differences in the compensation system arrangements of enterprises with different property rights, this study divided the samples into state-owned enterprises and non-state-owned enterprises for heterogeneity analysis. The conclusion provides empirical evidence for the reasonable arrangement of executive compensation system, better play to the role of salary incentive and the high-quality development of enterprises.

## **2. Literature Review and Hypotheses Development**

### **2.1. The Executive Compensation Gap and the High-Quality Development of Enterprises**

Among the incentive measures for senior executives, the compensation incentive is a more common measure. From the perspective of “two-factor theory”, in the daily work of the executives, salary is a major incentive factor but also a health care factor. If this factor is not met, the efficiency of the executives’ work will be affected. Higher pay gaps exist as an extra reward for executives who work harder (Liu & Niu, 2008), it can also make executives more confident, make executives make decisions conducive to the development of the company from a long-term perspective, increase innovation and curb excessive investment (Zhao & Wang, 2019), then reduce the cost of the enterprise, improve labor efficiency (Li et al., 2022). At the same time, the higher pay gap will also attract more senior executive talent to join the enterprise (Gerhart & Rynes, 2003), help to the improvement of enterprise management level.

From the perspective of corporate risk taking, the executive pay gap has a significant impact on the risk-taking attitude of senior executives (Faccio et al., 2016), the larger the pay gap among executives, the greater the risk-taking tendency to be (Zeng & Li, 2019), effectively enhance the willingness of senior executives to conduct innovative activities (Wang & Wang, 2019; Shen & Zhang, 2018), stimulated executives to increase venture capital. R & D activities have a long cycle and high risk. In order to achieve success in research and development activities, managers need to spend more time and energy on it. If enterprises blindly pursue equal salary, it may lead to the decline of senior executives’ willingness to work. Especially enterprise green innovation, successful green innovation activities can greatly show executives work ability, green innovation as a form of in-

novation considering environmental constraints, the purpose is to improve the green value of the product, promote the coordinated development of economy and environment, it can improve the efficiency of enterprises, reduce the emission of pollutants, optimize the industrial structure (Chen & Zheng, 2022). Therefore, the reasonable salary gap leads to internal competition among executives, reduce their risk aversion and increase the investment of executives' investment in risk projects.

The stability of the senior management team is the key to the internal control of the enterprise. The executive compensation gap can reduce the desire and possibility of the key senior executives to leave, effectively maintain the stability of the senior management team, and promote the internal control level of the enterprise (Chen & Wang, 2014). Giving additional compensation incentives to key executives can significantly promote the effectiveness of corporate internal control (Lu, Wang, & Fu, 2014). The internal control of an enterprise can alleviate the information asymmetry in an enterprise, alleviate the principal-agent problem, and is conducive to the enhancement of enterprise value (Liu et al., 2022). It can also enhance the "compensation-ability sensitivity" of senior executives and stimulate senior executives to prove their ability by improving the development status of enterprises (Huang et al., 2022), and then help to achieve the high-quality development of enterprises.

Based on the above theoretical analysis, we can conclude that the hypothesis 1:

**Hypothesis 1: The executive compensation gap within enterprises can improve the high-quality development level of enterprises.**

## 2.2. The Adjustment Effect of Equity Concentration Degree

Equity concentration indicates the proportion of the major shareholders in the company. The increase of equity concentration may make the major shareholders of the company focus more on the operation of the company and increase the supervision of senior executive behavior, so as to achieve a state of mutual restriction. It may also cause the major shareholders to have too much power in their hands, but sacrifice the interests of the company for the sake of personal interests. The excessive intervention of senior executives is not conducive to the play of the innovation ability of senior executives.

In the modern enterprise system, ownership and management right are separated, and there is a principal-agent relationship between shareholders and management. Especially in state-owned enterprises, their ownership belongs to all citizens, and the substantial absence of national shareholders, which will lead to the lack of supervision of shareholders over the management (Tong & Chen, 2007). At this time, it is very easy to produce the principal-agent problem. When equity concentration is too high, namely the first big shareholder shareholding is very high, big shareholders can use their power to change the salary structure, some executives will through rent-seeking behavior get high compensation, when the personal interests of these executives are satisfied, won't work hard, and oth-

er executives will produce imbalance and reduce the work effort, is not conducive to enterprise development.

On the other hand, when the equity concentration is high, major shareholders in order to protect their own interests, they will have enough motivation and power to supervise the performance of senior executives, effectively reduce the behavior of senior executives to damage the company, reduce the agency cost, so as to maximize the benefits of shareholders (Wang, Wang, & Zhang, 2021). Especially in non-state-owned enterprises, the interests of major shareholders are consistent with those of the company, and the supervision of the management will be stricter. In particular, the supervision of highly paid executives will be strengthened to reduce the opportunities for them to make wrong decisions. If the equity is relatively dispersed, the supervision of minority shareholders on high salary executives will be greatly discounted, and it is difficult to form an effective regulatory deterrent. Therefore, in conclusion, it is proposed that:

**Hypothesis 2a: The positive correlation between the equity concentration degree and negatively regulating the executive compensation gap and the high-quality development of enterprises.**

**Hypothesis 2b: Equity concentration positively regulates the positive correlation between the executive compensation gap and the high-quality development of enterprises.**

### 3. Research Design

#### 3.1. Sample Selection and Data Source

In this paper, the data of 2010-2020 are selected as research samples, and the required data are from Guotai Taian database and CNRDS database. CSMAR database is an authoritative and precise financial and economic database designed and developed by Guotai An Company for experts and scholars in higher education institutions, financial securities institutions, and social research institutions to meet the needs of China's financial and economic analysis and research. It is a series of advanced professional financial, financial, and economic databases. It is an organic and unified whole composed of macroeconomic, industry research, listed companies, stock market, fund market, bond market, futures market, foreign exchange and gold market, overseas research, etc. The Chinese Research Data Services Platform (CNRDS) is a high-quality, open, and platformized comprehensive data platform for Chinese economic, financial, and business research. The relevant data are treated as follows:

1) Since ST company refers to the audited net profit of the listed company for two consecutive fiscal years is negative or the audited net asset per share in the most recent year is lower than the par value of the stock in the current period, there are certain risks involved, Therefore, exclude ST companies;

2) Due to the particularity of the financial industry, Therefore, the financial category of listed companies are excluded;

- 3) Eliminate the samples of listed companies with serious missing and abnormal financial data;
- 4) Eliminate the sample of listed companies whose internal executive compensation gap is less than or equal to zero, and whose the number of senior executives is less than 4;
- 5) Keep samples of listed companies with data for two consecutive years or more;
- 6) 1% tail reduction for continuous variables.

### 3.2. Variable Declaration

#### 1) Explained variables

The explained variable in this paper is the high-quality development of enterprises, which puts more emphasis on the improvement of the utilization rate of production factors and the quality of production factors. Therefore, we use the enterprise total factor growth rate (TFP) to measure the high-quality development. In this paper, the OP method is used to calculate the TFP value of each listed company in stata16, and the TFP calculated by LP method replaces the TFP calculated by OP method as the robustness test to verify the robustness of the regression results.

#### 2) Core explanatory variables

The core explanatory variable of this paper is the executive compensation gap (GAP), which is expressed by the difference between the average compensation of the top three executives of listed companies and the average compensation of the remaining executives, and takes the logarithm in the regression.  $GAP = \ln(\text{average compensation of the top three executives of the company} - \text{average compensation of the other executives of the company})$ .

#### 3) Intermediary variables

The intermediary variables are green innovation (GI) and internal control (IC), in which green innovation is measured by the number of green patent applications of the listed company plus 1, and the data of green patent applications is from CNRDS database. Internal control adopts the natural pair of internal control index of listed companies released by Dibo company.

#### 4) Regulated variables

Equity concentration degree (OC) is measured by the shareholding ratio of the largest shareholder of a listed company.

#### 5) Control variables

Referring to the common practices of the existing literature, this paper selects the enterprise size, enterprise asset-liability ratio, Tobin Q index, management expense ratio and government subsidy as the control variables. Descriptive statistics for each variable are presented in **Table 1**.

### 3.3. Measurement Model

#### 1) Benchmark regression model

**Table 1.** Descriptive statistics of the variables.

Variable properties	Variable name	variable symbol	variable declaration	observed value	mean	standard deviation
explained variable	Enterprise total factor productivity	TFP_OP	Calculated by the OP method	19,571	7.076	0.935
Core explanatory variables	Gap in executive pay	GAP	The difference between the average pay of the company's top three executives and the average pay of the remaining executives is measured logarithm	19,571	12.02	1.069
regulated variable	Equity concentration	OC	Measured by the shareholding ratio of the largest shareholder	19,571	35.00	14.90
controlled variable	Scale	size	The number of employees takes the log after adding 1	19,571	7.773	1.226
	Asset-liability ratio	lev	Measured by the value of total assets/total liabilities	19,571	0.440	0.212
	Tobin Q value	tbq	Market value/total assets	19,571	2.049	1.318
	Administrative expense rate	aci	Administrative expenses/operating income	19,571	0.0930	0.0750
	Government subsidies	zf	Government subsidy plus 1 after taking the log	19,571	14.31	4.790

In order to study the role of the executive compensation gap within listed companies on the high-quality development of listed companies, this paper constructs a fixed-effect regression model based on panel data:

$$TFP\_OP_{i,t} = \beta_0 + \beta_1 \cdot GAP_{i,t} + \beta_2 \cdot X_{i,t} + \varepsilon_{i,t} \quad (1)$$

#### 2) Regulatory effect model

In order to test the adjustment effect of equity concentration (OC), the interaction term of the gap between equity concentration and executive compensation is introduced.

$$TFP\_OP_{i,t} = \beta_0 + \beta_1 \cdot GAP_{i,t} + \beta_2 \cdot OC_{i,t} + \beta_3 \cdot GAP_{i,t} * OC_{i,t} + \beta_4 \cdot X_{i,t} + \varepsilon_{i,t} \quad (2)$$

## 4. Analysis of the Regression Results

### 4.1. Benchmark Regression Results

**Table 2** is the regression results obtained using model (1). Column (1) is the whole sample. The coefficient of executive pay gap 0 is 0.0667, which is significant at the 1% level. That is, the larger the executive compensation gap, the higher the total factor productivity of the enterprise, indicating that the executive compensation gap can significantly promote the high-quality development of the enterprise. The larger the executive pay gap, the higher the high-paid executives and the enterprise will reach an agreement, and improve the work effort

**Table 2.** Executive compensation gap and high-quality development of enterprises.

variable	(1)	(2)	(3)
	Total sample	state-owned enterprise	Non-state-owned enterprises
	TFP_OP	TFP_OP	TFP_OP
GAP	0.0667*** (0.003)	0.0376*** (0.005)	0.0780*** (0.005)
constant term	6.9914*** (0.105)	8.3015*** (0.129)	6.3665*** (0.198)
controlled variable	√	√	√
Number of observed values	19,571	8239	11,332
goodness of fit	0.492	0.481	0.535
Year/Industry FE	√	√	√

Note: \*, \*\*, \*\*\* indicate that the estimated coefficients are significant at 10%, 5%, and 1%, respectively, and the robust standard error of the estimated coefficients is in brackets similarly hereinafter.

of the executives. Meanwhile, the higher pay gap can stimulate the low-paid executives to work hard for the improvement of pay and position promotion, and reduce the principal-agent problem. So the conclusion of hypothesis 1 is verified.

The nature of property rights is a very important aspect when studying the issues related to compensation. In state-owned enterprises, their compensation is mainly determined by the government under the control of the government, the compensation of senior executives of state-owned enterprises is controlled, and the promotion of senior executives is mainly promoted through the recognition of superior leaders, and the salary gap cannot play a strong role. However, whether the executives in non-state-owned enterprises can get high compensation is mainly determined by their contribution to the performance of the enterprise. As long as the executives can create value for the enterprise, they can get higher compensation. So we divided the samples into state-owned and non-state enterprises for heterogeneity analysis,

Column (2) and column (3) respectively take state-owned enterprises and non-state-owned enterprises as research samples. In the sample of state-owned enterprises, the coefficient of executive pay gap is significantly positive, the absolute value of the coefficient is 0.0376; in the sample of non-state-owned enterprises, the coefficient of executive pay gap is significantly positive, and the absolute value of the coefficient is 0.0780. This shows that the executive compensation gap in both state-owned enterprises and non-state-owned enterprises can significantly promote the high-quality development of enterprises, but play a greater role in the executive compensation gap in non-state-owned enterprises. This is related to the arrangement of the compensation system. In addition to



the pursuit of high income, senior executives in state-owned enterprises also have many political resources, and the compensation gap can play a limited incentive role. Moreover, due to the influence of the salary restriction order of state-owned enterprises, the compensation of senior executives in state-owned enterprises cannot be completely determined by the market, which will also affect the enthusiasm of senior executives to work.

#### 4.2. Analysis of the Adjustment Effect of Equity Concentration Degree

**Table 3** is the regression results obtained by using model (2) to test the adjustment effect of equity concentration, put executive compensation gap, equity concentration, and their interaction terms (GAP\*OC) in the regression model. (1) Taking the whole sample as the research object, the coefficient of the executive pay gap is still positively significant at the level of 1%, and the absolute value of the coefficient is larger than that of the benchmark regression. The coefficient of the interaction term between executive pay gap and equity concentration was  $-0.0005$ , which was significantly negative at the level of 1%, indicating that equity concentration plays a negative role in regulating the relationship between executive pay gap on the high-quality development of enterprises. Hypothesis 2a was verified. It shows that the equity concentration weakens the promotion effect of the executive compensation gap

**Table 3.** Adjustment effect of equity concentration degree.

variable	(1)	(3)	(4)
	Full sample	State-owned enterprise	Non-state-owned enterprises
	TFP_OP	TFP_OP	TFP_OP
GAP	0.0861*** (0.008)	0.0830*** (0.012)	0.0500*** (0.011)
GAP*OC	-0.0005** (0.000)	-0.0011*** (0.000)	0.0009*** (0.000)
OC	0.0065*** (0.002)	0.0165*** (0.003)	-0.0100*** (0.004)
constant term	6.7550*** (0.137)	7.6513*** (0.186)	6.6966*** (0.232)
controlled variable	√	√	√
Number of observed values	19,571	8239	11,332
goodness of fit	0.492	0.484	0.536
Year/Industry FE	√	√	√

on the high-quality development of enterprises. This may be because in companies with high equity concentration, senior executives are easy to get high compensation by seeking rent from major shareholders, and the incentive effect of compensation is reduced, thus weakening the positive impact on the high-quality development of the enterprise. Column (2) and (3) respectively show the adjustment effect of equity concentration on state-owned enterprises and non-state-owned enterprises. For state-owned enterprises, the interaction term coefficient between equity concentration and executive compensation gap is significantly negative, which is consistent with the benchmark regression results; however, in non-state-owned enterprises, the coefficient of interaction term is significantly positive. That in state-owned enterprises, equity concentration weakened the role of executive pay gap, and in the non-state-owned enterprises, equity concentration to strengthen the role of executive pay gap, this may be due to the non-state-owned enterprises big shareholders pay more attention to enterprise performance, equity concentration is higher, big shareholders can better play a role of supervision, reduce the principal-agent cost, the higher executive pay gap effective incentive executives work hard to promote the development of enterprise quality, assuming 2b validation.

### 4.3. Impact Mechanism Analysis

High-quality development means the transformation of economic development mode to intensive type, from “factor driven” to “innovation driven”, so as to make more efficient use of resources and reduce environmental pollution. Therefore, green innovation plays a vital role in promoting the high-quality development of enterprises. **Table 4** reports the impact of the executive compensation gap on the green innovation of enterprises. Green innovation is measured by the natural logarithm of the number of green patent applications of listed companies in the same year plus 1. Column (1) takes the whole sample as the research object, the coefficient of the executive pay gap is significantly positive at the 1% level, and the absolute value of the coefficient is 0.0219, indicating that the executive pay gap significantly improves the green innovation ability of listed companies. Column (2) and (3) take state-owned enterprises and non-state-owned enterprises as research samples. The executive compensation gap has a positive and significant impact on the green innovation of state-owned enterprises. The absolute value of the coefficient is 0.0183, and it also has a positive impact on the green innovation of non-state-owned enterprises. The absolute value of the coefficient is 0.0238. This shows that the executive compensation gap has a greater impact on green innovation in non-state-owned enterprises. Green innovation activity cycle is long, high risk, requires a lot of resources, state-owned enterprises often can get better resources and policy support, non-state-owned enterprises in resources and policy disadvantage lead to green innovation enthusiasm is not high, but executive compensation gap effectively make up for this, larger pay gap incentive non-state-owned enterprises executives more green innovation

**Table 4.** Impact of executive pay gap on green innovation.

variable	(1)	(2)	(3)
	Full sample	State-owned enterprise	Non-state-owned enterprises
	GI	GI	GI
GAP	0.0219*** (0.007)	0.0183* (0.010)	0.0238** (0.011)
constant term	-1.6226*** (0.224)	-1.3508*** (0.284)	-1.8242*** (0.443)
controlled variable	√	√	√
Number of observed values	19,571	8239	11,332
goodness of fit	0.200	0.236	0.178
Industry/Year of the FE	√	√	√

activities, enhance the non-state-owned enterprises to green innovation, so as to further promote the high quality development level.

#### 4.4. Robustness Test

In the benchmark regression, we used the TFP calculated by the OP method as the explained variable to measure the level of high-quality development of the enterprise. In **Table 5**, we calculated the TFP by the LP method to replace the explained variables to conduct the robustness test, and the regression results are basically consistent with the above regression results, indicating that the regression results in this paper are robust.

#### 4.5. Endogeneity Problem

Considering that the executive pay gap may have a two-way causal relationship with the high-quality development of the explained variable, the lag period is the tool variable commonly used in the existing literature, and the lag phase of the executive pay gap variable ( $GAP_{t-1}$ ) and lag two phase ( $GAP_{t-2}$ ) Variables were used as instrumental variables for executive pay gap and regressed using a two-stage method, with results as in **Table 6**. Column (1) shows the first stage regression results, GAP in the first stage regression,  $GAP_{t-1}$  and  $GAP_{t-2}$  Both have a significant positive impact on the executive pay gap, and the F statistics is greater than 10, indicating that the instrumental variables have passed the test; in the second stage of regression, the coefficient of the executive pay gap on the high quality development of enterprises is 0.1724 and significantly positive at 1%, indicating that the conclusion of this paper is still true after considering the possible endogeneity.

**Table 5.** Replaces the robustness test of the explained variables.

variable	(1)	(2)
	TFP_LP	TFP_LP
GAP	0.0647*** (0.003)	0.0848*** (0.008)
GAP*OC		-0.0006*** (0.000)
OC		0.0067*** (0.002)
Constant term	5.8748*** (0.103)	5.6314*** (0.135)
Controlled variable	√	√
Number of observed values	19,571	19,571
Goodness of fit	0.570	0.570
Industry/Year of the FE	√	√

**Table 6.** The endogeneity test.

variable	(1)	(2)
	First stage	Second stage
	GAP	TFP_OP
GAP <sub>t-1</sub>	0.5468*** (0.009)	
GAP <sub>t-2</sub>	0.2272*** (0.009)	
GAP		0.1724*** (0.008)
Constant term	2.3134*** (0.104)	4.1796*** (0.106)
Controlled variable	√	√
Number of observed values	11,672	11,672
Goodness of fit	0.597	0.578
Time/industry FE	√	√

## 5. Conclusions and the Implications

### 5.1 Conclusion

Executive compensation incentive is an important aspect of corporate governance.

After the economy enters the new era, the high-quality development of enterprises is the micro basis for the high-quality development of China's economy. Using the panel data of Chinese listed companies in 2010-2020, the paper studies the relationship between executive compensation gap and high quality development of enterprises, and draws the following conclusions: first, the executive compensation gap improves the influence of the executive compensation gap in non-state-owned enterprises is more obvious; second, equity concentration plays a regulatory role in the relationship between executive compensation gap and the high quality development of enterprises, and the regulatory effect shows the heterogeneity. For state-owned enterprises, the negative adjustment of equity concentration, that is, weakens the promotion of executive compensation gap on the high-quality development of enterprises. For non-state-owned enterprises, the equity concentration is positively adjusted, and the executive compensation gap promotes the high-quality development by promoting more green innovation activities to improve the quality of development. Especially in non-state-owned enterprises, the executive pay gap plays a greater role in promoting green innovation.

## 5.2. Revelation

The conclusion of this paper has important enlightenment significance for listed companies in China to design reasonable salary system to promote high-quality development. First, in improving the salary system of enterprises, the salary gap between senior executives should be appropriately widened to give full play to the incentive role of the salary gap on the work enthusiasm of senior executives. Especially in non-state-owned enterprises, the executive compensation gap plays a greater role in promoting the high-quality development of enterprises, and non-state-owned enterprises are more flexible in arranging executive compensation, so a multi-level compensation incentive system should be set up. Second, enterprises should set a reasonable equity concentration. If the equity concentration of state-owned enterprises is high, the transparency of the salary system and the degree of information disclosure can be improved, the supervision of executive behavior can be strengthened, and the risk of principal agent can be reduced. In non-state-owned enterprises, the equity concentration should be increased so that major shareholders can form more effective supervision over high salary executives, which is conducive to the healthy competition among executives under the high salary gap. Third, further strengthen the intensity of green innovation within enterprises, create a good green innovation atmosphere, increase the investment in green innovation, improve the efficiency of green innovation, so as to promote the high-quality development of enterprises.

## Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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