

Research on the Impact of Corporate Governance from the Perspective of Information Asymmetry

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Abstract

This paper analyzes and researches the level of corporate governance from the classification of information asymmetry, the causes of information asymmetry, and the existence of information asymmetry in the company's operation, using information asymmetry as the entry point for the study. And combined with the above analysis, we propose policy recommendations to improve corporate governance under the perspective of information asymmetry.

Keywords

Information Asymmetry; Corporate Governance; Affect the Study; Suggestions for Countermeasures.

1. Introduction

With the deepening and development of reform and opening, China's economy has made a qualitative leap and quantitative development, and China has fundamentally transformed into a buyer's market. And with the continuous development of globalization and integration, many foreign investors have poured into China. The competition in the market has intensified, and there is a more serious and widespread information asymmetry problem in the market. In such a market situation, without an effective information identification system and credit risk control system, it will certainly bring a lot of undesirable effects to the enterprise, reducing the efficiency and vitality of the enterprise operation, thus causing unpredictable negative effects. Therefore, enterprises must keep pace with the times, learn advanced information management technology, build a complete information management system, and improve the ability to collect and organize information. Only in the general market environment, risk control and mastery, expanding sales channels, and improving business income can make the company grow and develop better.

2. Corporate Governance

2.1. A Basic Definition of Corporate Governance

As a kind of social existence, the ultimate goal of the company's existence is to create as much social wealth as possible with limited resources and as little investment as possible, to meet the increasing material and cultural needs of society, that is, to meet the needs of market players and social development. need. On the one hand, the company is an open system and assumes certain social responsibilities. On the other hand, the company is an economic organization to make profits. In a specific environment, the different interest drives and target motivations of the community of interests constituted by shareholders, operators, creditors, and employees make the company's target choice for its operation may be the most profitable. Maximize earnings per share, maximize shareholder wealth, maximize corporate value, maximize political interests, maximize manager compensation, and maximize insider compensation.

2.2. The Evolution of Chinese Corporate Governance

2.2.1. "Corporate Governance" under the Traditional Planned Economy System-- Administrative Corporate Governance

Under the traditional planned economy system, state-owned enterprises are administrative appendages of the government, and enterprises in the real modern sense are separated from each other. There is no such thing as "corporate governance". Even if there is corporate governance, it can only be called governance under government management and leadership. From the perspective of the government, the content of governance is extensive, the methods of governance are strongly directive, and the structure of governance is unitary. From the perspective of the enterprise, governance behaviors tend to be administrative, the governance subject is unclear, governance objectives are inefficient, and the transportation cost of the entire company is extremely high.

2.2.2. The Company's Transformation from Administrative Governance to Economic Governance

2.2.2.1 The Dilemma of Corporate Governance under "Delegation of Power and Profit"

In essence, this company's transformation and reform are to give enterprises more power from management education, that is, the right to mobilize the enthusiasm of enterprises and employees for production and operation through material stimulation, without fundamentally changing the nature of administrative governance. In this context, instead, enterprises still lack the dominance and autonomy of management and governance, and the problem of "inside control" has also been created.

2.2.2.2 Corporate Governance under the Contracting System-strengthening Operational Power

Corporate governance under the contract system refers to the transfer of the management power of Jiang's enterprise to the contractor, clarifying the operator's economic Senegal, rights, and interests, and letting the contractor be responsible for the efficiency of state-owned assets. Although it has improved to a certain extent, it has not solved the dilemma of low operating efficiency of state-owned enterprises from the source. The reason for this is that corporate governance under the contract system also belongs to the decentralization of administrative governance, and it has only carried out partial reforms.

2.2.2.3 Corporate Governance under the Reform of Modern Enterprise System

The corporate governance structure is the core of the modern corporate system. To make the enterprise sustainable and long-term development, it is necessary to ensure the innovation of the management system and insist on the implementation of the incentive mechanism for the employees, so that the corporate governance can transform and transition from administrative governance to active governance.

3. Information Asymmetry

3.1. A Basic Meaning of Information Asymmetry

The theory of information asymmetry stems from the fact that information between two parties to a transaction is asymmetrical, or that the information possessed by only one party is incomplete, resulting in various effects on market behavior and efficiency.

3.2. Classification of Information Asymmetry

3.2.1. According to Internal and External Causes

One is the information asymmetry generated externally, which is a state, nature, and exists in the objective reality; the second is the information asymmetry generated internally, which is the behavior that cannot be detected and predicted by other groups after the contract is signed.

3.2.2. Divided from the Time When the Information Asymmetry Occurred

Divided from the time of occurrence, it can be divided into information asymmetry before the event and information asymmetry after the event. That is, the time of occurrence is different, which may occur before the parties to the transaction sign the contract, or after the parties to the transaction sign the contract.

3.2.3. Divide from the Level of Information Asymmetry

For some information asymmetry that occurs in the entire enterprise, all people in the enterprise do not know the information. Compared with competing companies, the company as a whole is in an information unfavorable advantage. This information asymmetry is the information asymmetry between the company as a whole and the outside world. There is also information held by some employees in the enterprise, but as far as the enterprise is concerned, the information asymmetry that occurs without the knowledge of other personnel can be called the information asymmetry within the enterprise.

3.2.4. Divided from the Degree of Information Asymmetry and its Impact

The degree and impact of information asymmetry can be divided into three types: mild, normal, and severe. Mild information asymmetry means that the information asymmetry between the two parties is relatively light and will not cause losses to both parties in the transaction, so there is no need to bear additional information resolution costs. General information asymmetry means that there is considerable information asymmetry between the parties to the transaction, and companies need to bear a certain amount of expenses to solve the impact caused by information asymmetry, but it is only limited to companies with low information collection and mastery, and the amount of money spent should not be too much. Severe information asymmetry means that a certain piece of information will cause major losses to one party. If the information is not mastered, it will cause great losses and negative effects on companies with low information collection and grasp.

4. Causes of Information Asymmetry in Corporate Governance

4.1. Differences in the Cognitive Abilities of Individual Employees Within the Enterprise

In an enterprise, different employees have different intelligence, talents, and the degree of information mastery and acquisition. There are differences in the cognition and coordination ability of interpersonal relationships, and there are very big differences in the ability of information acceptance and discrimination. That is to say, within an enterprise, different employees have different abilities to obtain information, which also causes information asymmetry among individual employees. As a result, there are information differences in the corporate governance process, reducing corporate management and operating efficiency.

4.2. Information Asymmetry Caused by the Social Division of Labor

With the continuous development of science and technology, human society has gradually strengthened the social division of labor and moved towards specialization during the development process. On this basis, the development speed of the entire economy and society has been greatly increased, but at the same time, information asymmetry has also been

enhanced, which has created considerable challenges for company development and corporate governance.

4.3. Defects in the Company System Obstruct the Information

With the strengthening of the social division of labor, the development of industries in the economy and society is getting closer and closer. Due to the authenticity of the management system and management talents, the company has certain institutional flaws in governance, which result in the blockage of internal and external information in the enterprise, blocking the transmission of information, and lacking a corresponding transmission mechanism.

4.4. Expansion of the Scale of Enterprise Organization

In the initial stage of entrepreneurship, the overall company is small, with less staff, less investment, single operating varieties, and simple production technology. Employees can conduct adequate information exchanges in the operation of the enterprise. Therefore, information from all sides can be quickly and completely grasped, and the impact of information asymmetry is relatively weak. However, the continuous expansion of the company's scale, the increase in the number of employees, the continuous refinement of the division of labor, the upgrade of production technology, and the increase in investment amount have all made the information communication between people in corporate governance more and more complicated, thereby intensifying the asymmetry of information within the enterprise affects the overall operation of the enterprise.

4.5. Expansion of the Scope of Business Sales

In the early stage of development, the scope of sales operated by the enterprise is small, which facilitates the overall control of corporate governance and operation, and the resulting information asymmetry has less impact. However, with the continuous expansion of enterprise sales, business scope, sales channels, and management levels, the information transfer between companies becomes less and less effective, thus causing very serious the problem of information asymmetry, which in turn causes the risk of the overall operation of the company.

5. Information Asymmetry in Corporate Governance

In corporate governance, information asymmetry can weaken the effective use of human resources, thus causing company management failures and risks. In corporate governance, information asymmetry is ubiquitous, whether it is the recruitment, use, dismissal, or assessment, training, and motivation of employees, there are various kinds of information asymmetry. This causes inefficiencies in corporate governance and exacerbates the risks of the company's operation in the market.

The causes of corporate governance risk due to information asymmetry are diverse and can be broadly attributed to the following two aspects.

5.1. Subjective Aspect

In corporate governance, information asymmetry includes asymmetry in the quantity and quality of information obtained, as well as asymmetry in information evaluation. These are important factors that cause corporate governance risks. On the one hand, in the human resources market, since the quantity and quality of information possessed by economic entities are asymmetrical in market transactions, the more relevant information, the more beneficial to them. Therefore, to maximize the benefits, the owner of the information will hide or publish false information to the market, thereby causing management risks in corporate governance.

On the other hand, the different grasp and understanding of information by market economic entities will also cause risks in corporate governance of human resource management. This is

mainly manifested in the differences in values and qualities between the parties to the transaction. Recruiters cannot master and understand the information provided by applicants. In the relationship between investors and operators, the time resources that investors have and can control are limited, which determines the lack of information that operators have when signing contracts.

5.2. Objective Aspect

Objectively speaking, there are differences between people, manifested in all aspects. In the process of corporate governance, it is mainly manifested in the differences between different employees in the collection, processing, output, and projection of information. Employee differences in corporate governance will lead to uncertainty in human resource management, thereby causing company operational risks.

Secondly, people's knowledge reserves are limited, and it is impossible to predict the occurrence of things all the time. In addition, the collection, acquisition, and sorting of information requires a great deal of time and money, which is very limited for grasping comprehensive and complete information. Due to the scarcity of resources, in the process of corporate governance, the limited possession and control will cause information asymmetry in corporate governance.

6. Countermeasures and Suggestions for Preventing Corporate Governance Risks Caused by Information Asymmetry

6.1. Preventive and Control Measures Outside the Company

The external condition of information asymmetry leading to corporate governance risks is the lack of social credit. Under the prospect of lack of credit, relying solely on enterprises and individuals cannot provide a complete prevention and control system. Therefore, the government must intervene, play a macro-regulatory role, reduce the problem of information asymmetry caused by the lack of market credit, and reduce the risks in corporate governance.

6.1.1. Build an Atmosphere of Honesty with the Help of Public Opinion

The government can use the current Internet media, relying on modern media technology, and adopt multi-modal and multi-angle propaganda methods. The establishment of a good faith atmosphere, the establishment of the concept of good faith for the public in a subtle way, and the creation of a good credit society can greatly reduce the information asymmetry and risks caused by morality in corporate governance.

6.1.2. Standardize the Recruitment Market Management System

Government departments can use big data systems to build credible electronic files for the talent market. Relying on Internet technology to link the national talent information system to improve the efficiency of resource allocation in the talent market. At the same time, improve relevant laws and regulations, restrict recruitment intermediary companies, and reduce the company's profit loss caused by information asymmetry in the recruitment process.

6.1.3. Build a Database of Talent Information

Based on the Internet, it cooperates with major universities to enter the information of college graduates. Display the direct information of recruiting units and applicants in the form of data, reducing the information asymmetry between the two parties and reducing the cost of information search between the two parties.

6.2. Prevention and Control of Enterprise Internal Governance

6.2.1. Create a Collaborative Sharing Concept to Improve Information Transparency

The company must actively integrate into the larger environment and provide transparency of information with the parties to the transaction. In the process of interacting with customers, when acquiring user data, it provides its data synchronously to form an organic data ecological chain. In the operation management and production process, clarify the operation and production process, and transparently reduce the information asymmetry. When cooperating with other companies, you can build asymmetry of information for the partners, and use big data to reduce information costs.

6.2.2. Strengthen the Awareness of Intellectual Property Rights and Enhance the Awareness of Information Protection

In the current Internet age, information is the key factor for a company to succeed in business management. Therefore, how to maintain one's competitiveness in a highly competitive market, strengthen corporate governance, and protect the company's intellectual property rights is very important. With the help of the law, apply for the company's intellectual property rights, respect the property rights of transaction parties, and maintain the information mechanism in the market, thereby achieving the effect of weakening information asymmetry and improving corporate governance.

6.2.3. Improve the Recruitment Mechanism and Reduce the Cost of Information Search

For applicants, they have their subjective consciousness, and there will be a certain degree of distortion in the process of information transmission, and the authenticity and effectiveness of the information that the company can obtain will be reduced, resulting in the lack of key information in the recruitment process. In the company interview process, there will also be a strong subjective awareness. Therefore, it is necessary to create a complete resume delivery and recruitment interview mechanism, to achieve transparency in all links, and to ensure the fairness and impartiality of the entire process. In this way, the information search cost between the company and the applicant can be reduced from the source, thereby improving the quality and efficiency of corporate governance.

6.2.4. Establish Incentives and Supervision and Restraint Mechanisms

In the process of corporate governance and management, attention should be paid to the combination of the incentive registration system and supervision mechanism, to better enhance the enthusiasm of employees. At the same time, the company can combine its development advantages to choose suitable, flexible, and diversified incentives and assessment methods to standardize and restrict employees' behavior from the company's system, thereby reducing the moral hazard caused by information asymmetry and further improving the level of corporate governance.

6.2.5. Strengthen the Career Planning of Company Employees

In the process of corporate governance, scientific and targeted career planning can be designed for company employees. By designing its career plan, the company can grasp the career development direction of the company's internal employees to a certain extent, to carry out targeted job allocation and task distribution. Combine the future development of employees with the development of the company to achieve the bond effect of a community of destiny, thereby strengthening employees' sense of identity and sense of value with the company, thereby stabilizing the development of the company and the team, and reducing the hidden costs of information among employees.

In short, the implementation of corresponding measures in the above-mentioned various aspects of corporate governance can greatly reduce the scope and impact of information asymmetry, thereby improving the level and quality of corporate governance.

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