

Influence of Corporate Governance Structure on Listed Firms' Investment Efficiency—A Case Study of Gree Electric Appliances

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Abstract. With Chinese capital markets constantly developing and growing competition in the home appliances manufacturing sector every day, having a good corporate governance framework becomes an important force that drives listed companies' investment efficiency and supports sustainable long-term development. Taking Gree Electric Appliances as the case, this study explores the impacts of concentrated ownership, board governance, and management incentives on inefficient investment. The study finds that Gree's relatively concentrated ownership structure, well-functioning board system, standardized dual oversight mechanism, and clear decision-making process have effectively mitigated principal-agent problems. As a result, the company's investments have been highly focused on its core business, rationally scaled, and rigorously evaluated. The proportion of core business investment remained high during 2022–2024, and the level of inefficient investment was significantly lower than the industry average. Efficient investment has further boosted financial performance: net profit margin continued to rise, and return on total assets consistently outperformed the industry average, forming a virtuous cycle of stable profitability and cash flow. This paper summarizes the internal logic between traditional governance mechanisms and corporate investment behaviour, and provides practical references for manufacturing and home appliance enterprises to optimize governance structure and standardize investment decisions.

Keywords: Corporate Governance, Gree Electric Appliances, Investment Efficiency.

1. Introduction

As the ongoing upgradation and improvement of the Chinese Capital Market System, it is more clearly demonstrated that constructing a good corporate governance structure is very necessary for enterprises' survival and development. In terms of public companies listed on the A-share market, its more mature and complete corporate governance structure makes their main decision-making with certain rationality, which is influenced by it as well as the flow-in-and-out of social capital overall[1]. In an increasingly fierce competition in the real manufacturing industry, enterprises can't have stable development if they don't invest constantly in technology R&D, production base, and market channel. Whether investments move is rational or not, it would increase the difference in long-term core competencies between companies [2].

Home appliances belong to a sub-industry of a mature industry within domestic physical manufacture, which is internally competitive [3]. For companies operating at any stage here, knowing the appropriate times of investments is especially important for steady survival and growth [4]. This is an outcome from most current academic studies: a practical and helpful corporate governance support system control unreasonable wild investment action, improves the total usage of capital efficiently, and ensures that the company can steadily improve its financial performance [5]. It mostly just created general research models and separated the different kinds of inefficiencies: overinvestment and underinvestment [6]. They would reach a certain conclusion on their quality disclosure based on those results. Most results support the view that improved governance helps increase investment efficiency. It's true that ownership layout, independent directors' supervision rights, internal check rules, and public information disclosure level all impact companies' choices of capital [7]. Companies that have better internal governance do not rush to scale up and make foolish capital plays [8]. The rest mostly did a lot more large-sample stats work for massive company groups

like listed companies, rather than concentrating only on case studies of top benchmark home appliance manufacturers. Detailed practical governance operations going on within everyday actual business activities do not get sufficient study either. According to these kinds of real research, this thesis is going to conduct a specific practical analysis on Gree Electric Appliances.

This paper sorts out Gree's unique governance highlights, such as equity holding structure, board duty arrangement, and internal monitoring means, and discusses how they lead the capital spending direction, investment scale limit, and the last money running result. In theory, it has more to do with adding up contents relating to corporate governance issues, as well as capital utilization efficiency for reference. In terms of practice, it would enable not just Gree itself but also provide workable ideas for other listed home appliance & manufacturing peers to enhance their own capital judgement logic, which in turn will increase the collective capital utilisation yields. Analysis structure helps outsiders to evaluate how an organization is worth when it comes to the aspects of governance and making a shrewder personal investment choice.

2. Basic Overview of the Research Case

2.1. Core Profile of Gree Electric Appliances

Gree Electric Appliances was founded in 1991, and it went public on the Shenzhen Stock Exchange in 1996. Its main businesses include R&D, mass production, and the sale of household air conditioners, various diversified home appliance items, intelligent automatic equipment, and central air conditioning and refrigeration specialized technologies, such as Gree Electric Appliances. Among the top benchmark leading companies throughout the whole industry scope of China's home appliances, Gree has accumulated strength in patent technical reserve, large-scale standardized production, and nationwide well-known brands. It's a residential cooling machine, and its commercial central air conditioning business has been leading the market for consecutive years.

The domestic home appliance industry is already in the full maturity stage of market development, with a steady overall growth rate and fierce competition within. Decisions involving capital on production capacity upgrade, offline channel construction, technical research funding, cross-industry diversification expansion, etc., are so critical for the sake of the enterprises' lives. The environment is like that, Gree will have some progress but very regular and change little from year to year, as for the basic financial aspect. The relatively stable performance, it is mainly due to its own special company governance and emphasis on long-term capital investment

In Gree's characteristics, there is obvious centralized holding, there are responsible partitions among the board of directors, the board of supervisors, and the everyday managing staff. Large capital projects have standard entire process approvals. Large investments are approved after going through a lot of layers, so there's less chance for personal opinions, and making the whole system less likely to fall apart if the study gets regular changes as an industry.

2.2. Practical Driving Forces for Governance Optimization

Home appliance manufacturers usually have very large total assets, quite long integrated industrial operation chains and very intricate internal administrative layer of organizations making principal-agent contradictions stand out during day to day running processes. Without strict prohibitions incorporated in the governance system, senior management teams would go after empty corporate size enlargements and momentary gains in earnings, disregarding far-off yield comes and all-around risk avoidance regulation, which could lead to several kinds of inefficient capital outlays [9].

Therefore, improving on every single aspect of the governance level and normalizing everything for link decision-making is a necessity to better invest the time. With industrial competitive pressure constantly increasing and general profit margin spaces gradually narrowing, it is solely the companies that are equipped with excellent capital allocation that will maintain lasting competitiveness in the long run. Gree constantly improves itself in order to reduce all-around comprehensive agency operation costs and raise the accuracy of making great strategic decisions. To improve how clear it is

on the design of equity rights arrangement, strengthen practical ability in board committee functions, complete hierarchy of internal supervision structure layout so companies could achieve balancing between risk bottom line avoiding and increasing scale, leading to rather less amounts towards deeper roadway direction with further company planting or technological breakthrough discovery.

Solidified Governance upgrade has increased the amount of the company's public transparency, which increases the level of public and overall market confidence in the company, making continuously supportive circumstances for constant access to sustainable finance and continual developmental growth: Gree is drawn to creating better rules inside. Therefore, its capital investment makes sense, like gathering nice quality money to power up high-performing creative techs, having powerful main competitors providing a solid foundation for long-term profit, and growing the firm.

3. Practical Governance Framework and Operational Implementation

The entire governance system of Gree is based on 4 major elements: Equity Ownership, Daily Board Function Operation, Specialized Supervisor Board Supervision, and Standardization in Internal Management Control. Regarding the equity structure planning, it's found that there are rather concentrated major stockholders. Large shareholder mainly occupies a big portion, which makes it a more stable way on the development road in the long run, also faster to make overall decisions rather than split and splatted shares, causing delayed judgment. At the same time, The External Institutional Investors who had become more outside watching and constantly upgrading the daily operations norm.

Board of Directors: Combine the Executive Director, Non-Executive Independent Director, and Special Appointment Board Member to have multi-angle broad participation and in-depth analysis when making strategic judgments. Self-made professional specialized committees on strategic layout, financial examination validation, remuneration performance evaluation, etc., provide professional initial screening reviews on the main enterprise actions like large-scale capital investment projects, outer finance cooperation plans, and top executives' incentive policies, etc., enhancing both specialization level and logic perfection among all important corporate decision-making. The Board of Supervisors is responsible for daily financial operations, compliance checks, supervises the fulfilment of duties and conditions of the director group and senior management regularly, and preventing any irregular operation behaviour as well as conflict of interest transaction risks in advance. The Internal Auditing Section has completed its work under the discipline's control. It simultaneously carries out Director's Office Procedure Control at the same daily improvement level as Inside & Outside Public Information.

Throughout all governance operations by Gree, it can be seen several important features happening: It has to be about protection of equity controls maintaining long-term strategic continuity from unexpected short term market sentiment change. The construction of all types of committees is fully implemented. Special assistants conduct comprehensive and multi-dimensional reviews before the formulation of any plans. Oversight mechanisms are strengthened. Strict internal daily transaction practices are standardized. The overall risk awareness and emergency response time of the company are improved. Standardized processes and tasks are established. Post responsibilities are clearly assigned. The full process is covered from the initiation of a proposal to the final investment outcomes.

In short, Gree's integration governance blueprint is taking a conservative, stable-oriented route of development, and this is very well aligned with the long-term progress characteristic of industrial enterprises. For preventing an unreasonable surge of flood rush, blocking those short-cycle profit-seeking and also the tendency of consuming, directing to only real creating & developing internal flow.

4. How Governance Structures Shape Investment Efficiency Levels

4.1. Visible Promotion of Overall Capital Utilization Effectiveness

The personal whole administration plan of Gree surely brought about considerable promotion since the entire economic plan. Looking at the specific year's dimensioned financial figures as well, there's no instability seen in the return on investment, which is fairly outstanding concerning rotating asset versus the industry norm. It has a low inefficient investment appearance level compared with rival opponents that follow the diversified cross-industry deployment and short-term urgent capacity increase wave after another in large numbers, complete and steady operating life of about one capital project [10].

Even facing sluggish overall industrial growth cooling cycles occasionally, Gree maintains healthy, sustainable cash reserves and robust profit-generating abilities, fully reflecting logical capital judgment orientation and lean, high-efficiency fund utilization modes bounded by governance norms. Gree is very much under the restrictions and directions of its own governing boundaries. It prefers putting most capital into certain important businesses that might break off from an area tied up with something, rather than making random, widespread, varied tries. In the time from 2022 to 2024, capital flowing into the core primary business takes more than 85% of the yearly investment volume. It greatly improved the capital aiming precision and the last real effect.

4.2. Refined Optimization of Full-Link Investment Judgment Logic

A lot of stacked governing restraint sections directly through each one of Gree's speculation lines: Speaking a lot about the term of resource capitals, going heavy-handed about major operation and internal supervision basics. Consequently, minimizing the chance for sideline businesses. Secondly, annual overall investment scale planning should be strictly based on the actual internal financial bearing ability and real objective external market demand change trend, avoiding too much debt leveraged stack and blind redundant production capacity construction bubble. Lastly, thirdly, improving multi-round project risk rating reviews by the Board Collective committee reduces personal subjectivity, and it is unlikely that the same one-sided judgment will occur.

It is powerful institutional protection walls around all the different stages for various decisions. Logical supervision on the annual increased amount part, which is given logical pre-project professionalism estimation river, Gree takes full caution about the whole risk: Is its own yearly assets-light ratio always keeping the exact figures between 2022 and 2024, even less than that of companies that underwent extremely strong over investments.

4.3. Solid Backing Support for Sustainable Financial Performance Growth

Key yearly financial figures can clearly prove Gree keeping relatively high numerical grades of its total assets profit from 2022 to 2024, and it is always over the synchronized industrial average lines. In other words, if quality targeted investments are secured, core profits are expected to be generated. It would make better investments, strengthening the general monetary foundation, so there could be further progress towards growing steady profits regularly. Then it's used in the following round for more research and improvement, plus the online market, and further fine-tuning on how to run the factory. Infinite circle.

As seen in Table 1, Gree's yearly net profit margin keeps going up constantly from 12.97 in 2022 to 17.01 % in 2024: Confronting more severe industrial competition being squeezed each year, maintaining excellent capital allocation effect is the thing that cannot be replaced by Gree to strongly guard its total income from danger.

Table 1. Key financial indicators of Gree.

	2024	2023	2022
Current ratio	1.12	1.14	1.18
Quick ratio	0.98	0.97	1.00
Asset-liability ratio (%)	61.55	67.22	71.31
Inventory turnover (times)	4.41	4.00	3.45
Net profit margin (%)	17.01	14.23	12.97
Return on total assets (%)	8.74	8.03	7.26
Basic earnings per share (yuan)	5.83	5.22	4.43

5. Existing Deficiencies and Targeted Improvement Suggestions

Although Gree has built fairly comprehensive governance hardware equipment in the past, there are still some places where it needs improvement and development. First up, there's still too much equity concentration: the total share ratio of the top 10 big shareholders exceeds half of all shares. Just one primary dominant shareholder has close to twenty percent. That is likely to reduce how much weak like S&Ms have their voices heard, and will muddle internal restraint by core strategic resoles linking so low that people do not matter too much in some key big cap ex ballots:

Secondly, the practical supervision strength of independent directors should be improved. The part concerning the external third parties' monitor also has some level: since the study just monitors major capital allocation or what experts say about arguments toward different directions at times, while conducting overseas cross-border evaluations and trials on newly started businesses.

Third is that as the Gree goes more inward towards industrial diversification and outward towards global internationalization, current conventional static governance procedures have little flexible adaptability for all-new commercial routes and unknown foreign markets. There are no classifications in the Refinement of the Risk-Control standard that were just developed for the Cross-regional Trans-boundary Capital Move Judgment Flow. Put forward the corresponding upgrade proposal according to these weaknesses:

Firstly, moderately change and improve the ratio of total equity rights, increase the number of long-term relatively stable institution investment participants, add more inside mutual restriction equilibrium forces and various complete group judgement thought origins, attract social security fund money and insurance steadiness funds, etc., through private placement collaboration approaches.

Second, further empower the independent director teams and the form of audit committee's functions, strengthen the supervision process intensity during huge capital expenditure plans and close related party transactions, and improve the overall public disclosure grade. Choose special independent directors who have made overseas investments or have fresh industrial professionals as skills for better overall measurement of complex new projects. The last thing the study will do is improve the investment judgment classification work process based on global scale-up steps, in step up and new track business development, increase warning links of layered warnings, especially for cross-border overseas fund transfer operations, and start to explore various industrial sectors, form a foreign investment groups exclusive committee according to different characteristics of every market.

Thirdly, make up for the defects in the cycle of manager incentive bindings, tightly bind senior's yearn remuneration incentives and data such as long-time usage efficiency on capital, long-term raises intrinsic values of firm to a short-term result, constrain rash and term act with stock incentives, make thorough judgement throughout all times.

6. Conclusions

This paper takes Gree electrical appliances as the main discussion object, delving into the kind of connection between the structure of corporations' governance and the level of enterprise's capital allocation. Research also shows that Gree prioritizes constant stock possession methods, full systemic

board operation methods, standard problem-solving procedures, and strong multi-layer protection systems. These all help reduce classic main-agent friction in daily corporate work, guiding investment behaviour toward a reasonable logic level and better output from high-end fund use.

Contrary to the industrial peers, Gree controls the annual investment expansion scale rhythm and all-around danger control border better, it is offering much more steady capital effect feedback and firm finances every day. The result fully demonstrates that the effective increase of total investment operation performance brought about by the construction of good mature governance is. In the meantime, Gree still has room to upgrade to coordinate the degree of equity right dispersion, enhance practicable supervising ability by independent directors, and enhance governability flexibility when expanding new business. The company is further refining and strengthening the targets of the corporate governance structure. It thus creates stable internal market competition grounds:

There are certain objective restrictions to this paper. If the study solely considers Gree as the single person typical case target, although he can represent industry benchmarks in manufacturing, the conclusions summarized from it are too specific to be directly copied and applied universally to all kinds of operations with various sizes and different individualistic governance modes for manufacturing companies. For the future direction, it is going to consist of more data points taken on household appliance and manufacturing listed companies of varying sizes and sections using sub-industry classification vs horizontal Contrasts Among Firm Controls Over Industrial Classification & Scale interference. On extended view as well in terms of Digital Intelligent Governance, enhance also the direction for ESG Sustainable Development Evaluating Part Others Emerging Researches and Dig for More Related Paths on the Various Whole Connections of Management to Create Firm's Creation Capital Allocation.

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