The Influence of Management Power and Salary on the Slack of Corporate Budget

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Abstract

In the enterprise's management and control activities, comprehensive budget management has gradually become one of the core parts of the company and it is the foundation of the company's performance evaluation. At the same time, the problems of budget slack have become more prominent. Based on the theory of principal-agent theory and information asymmetry, this paper studies the influence of corporate management power and compensation on its budget relaxation.The results show that there is a positive correlation between management remuneration and the degree of the budget slack of the company while management power is negatively related to the degree of budget relaxation. When the two work together, they have a negative effect on the budgetary slack of the company, because the influence of the power is more important.

Keywords: Budget, budget slack, management compensation, management power, salary

Introduction

In the management and control activities of enterprises, comprehensive budget management, which is the basis of enterprise performance evaluation, has gradually become one of the core parts, and its application is more and more extensive. However, with the continuous development and improvement of the modern enterprise system, management rights and ownership are gradually separated.Due to conflicts of interest, agency problems are triggered, which leads to a series of management crises. Comprehensive budget management also faces a series of problems. In terms of enterprise budget management, because the executives and the owners pursue different interests, the executives pursue the maximization of their own interests, and the principal pursues the

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maximization of corporate wealth, which will create contradictions. At the same time, due to limitations in their own energy and professional knowledge, it is difficult for the owners of the enterprise to obtain the required information in detail and make good use of the information. Therefore, there is information asymmetry between the executives and the enterprise owners. The executives belong to the information superiority and the owners belong to the weak party. The executives will use their own information superiority to hide some information, make a lower budget, make it easy to achieve, and realize their own interests, which also produces the problem of "budget slack".

In order to ensure the accuracy of the enterprise budget, improve efficiency, promote the development of enterprises, solving the problem of budget slack has become an important task in enterprise management. In response to this problem, many scholars at home and abroad have conducted a series of studies. Studies have shown that various characteristics of management, such as age and gender, will have different degrees of impact on budget slack, but the impacts of such factors are difficult to solve from the root cause, so this paper chose management power and salary, the factors that are easier to adjust and control by the company, to explain the interaction between the two and their impacts on budget slack. At the same time, in the past studies, most scholars only studied the impact of management compensation and management power on budget slack alone. However, when I consulted the literature, I found that management compensation and management power are mutually influential. It is impossible to completely separate the two factors. Therefore, in the study of this paper, the research on the impact of the two factors on the budgetary slack of enterprises is added.

In the research of many scholars, incentives have always been effective measures to solve the agency problem. Through the research of this paper, we can effectively recognize the impacts of two different kinds of incentives, namely, salary incentives and equity incentives, on the budget slack of enterprises, so as to effectively use them to reduce the level of corporate budget slack and improve the budget management system of the enterprise, which is conducive to the healthy development of the enterprise and safeguard the interests of the owners.

Literature review

Budget slack refers to the behavior of budget participants who deliberately overestimate production costs and underestimate sales revenues, that is, underestimate their own production capacity in order to achieve budgetary goals more easily (Mann,1988). The existence of budget slack will have an adverse impact on the management of the enterprise, which will lead to high cost of the enterprise, difficulty in coordination between the departments, unnecessary resource consumption for the enterprise, and formalization of the budget assessment (Da Ya-juan,2017). Therefore, in order to solve the problems of budgetary slack, many domestic and foreign scholars have conducted different levels of research on the causes of budgetary slack.

Through the agency theory model, foreign scholars Young (1985) and Merchant (1985) have confirmed that the private information owned by managers is an important factor affecting budget slack because there is a serious information asymmetry between shareholders and managers. Compared with shareholders, they have more business management information. When the business owners adopt the budget method to assess the manager's performance, managers may use the information advantages they have to hide the private information, thus affecting the shareholders to judge future business conditions, and thus achieving the purpose of establishing budget slack. At the same time, domestic scholar Wan Liang-yong (2002) also believes that information asymmetry provides environmental conditions for budget slack.

Foreign scholars Cyert and March (1963) believe that an important way to avoid uncertainty is to establish slack resource allocation (including budget slack), and establishing appropriate budgetary slack can be conducive to the stable development of the organization. According to the contingency theory, companies that adopt

differentiated or offensive strategies face greater uncertainty in market competition and enterprise development than that adopt low-cost or defensive strategies, and are therefore more likely to establish the slack budget (Stede, 2000).

Luo Min (2010) conducted an empirical test on the annual observations of 1,008 listed companies in China from 2004 to 2008. Through analysis, it was found that large-scale companies have more hierarchical structures and the degree of information asymmetry is more serious. Therefore, the size of the company is positively correlated with budget slack. At the same time, due to the "owner's absence" of state-owned shareholders, state-owned shareholders cannot effectively manage the budget of listed companies. Therefore, state-owned enterprises will have more budget slack than private enterprises. At the same time, Yu Tuan-ye and Chen Lu (2013) also selected 170 eligible family businesses from more than 2,000 companies listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange. The data in the annual report, quarterly report, and an announcement from 2008 to 2010 are used as research samples to study the impacts of corporate structure (family business and non-family business) on budget constraints. Through analysis, it was found that family business ownership and management rights are in the hands of a family member, there is a consistent goal - the maximum profit of the enterprise and the smaller enterprises can get the information more accurately and timely, so the budget slack of the family business is less than that of the non-family enterprises, and small-scale companies have less slack than larger companies.

Liu Yun-guo (2013) pointed out in the case study that the participatory budget gives the agent an opportunity to relax the budget because the budget participants could use the information advantage to consider their own interests before considering the interests of the company, thus creating budget slack. The budget emphasis (assessing the management or management performance based on the completion of the budget indicators, and using the assessment results as the basis for formulating compensation or rewards and punishments) encourages participants to complete the budget indicators to realize their own interests, so that the agents were given the incentive to relax the budget.

In general, there are many reasons for the slack of corporate budgets. Executives play a very important role in it. The gender, age, and salary of management will all have an impact on them. If you want to solve the problem of budget slack, looking for the reasons is a necessary path, and if the degree of budget slack is too high, it will adversely affect the management of the enterprise. Therefore, it is imperative to solve the problem of budget slack, and future researches on budget slack will also be deeper and deeper.

Management compensation is an important way to solve agency problems through incentives and has attracted the attention of lots of domestic and foreign scholars. Salary refers to the various forms of economic income that employees receive as a result of being hired, and is one of the main forms of motivating executives. The economic income provided by the enterprise to the executives mainly includes monetary compensation, option plans, and equity incentives. However, because the option plan and equity incentives are relatively late, the listed companies that have implemented option plans and equity incentives account for a lower proportion of the overall listed companies in China. In addition, the options and equity are affected by external factors such as the capital market; they are difficult to get an accurate and reliable measurement (Gao Xin-zhi, 2017).

In the study of Kang Guang-wen(2014), it was also pointed out that in the compensation contract; the management's compensation package mainly includes two parts: explicit salary and invisible salary. Among them, explicit pay mainly includes monetary compensation and equity incentives, while invisible pay mainly includes welfare based on on-the-job consumption. Although equity incentive reform is regarded as an effective incentive to be accepted by many listed companies, equity incentives may not be an effective incentive, and the degree of the development of China's capital market is not high, stock options are difficult to calculate.

Regarding management power, foreign scholar Finkelstein (1992) pointed out that "management power" refers to the ability of management to influence the board of directors or the compensation committee to make salary decisions. Lambert, Larcher, and Weigelt (1993) proposed the "management power model", which argues that management power is divided into four categories: organizational status, information control, personal wealth, and appointment to the board of directors. Domestic scholars Xu Wei and Ye Chen-gang (2016) pointed out in the study that managerial power consists of the manager's ability to operate, the manager's professional level, the size of the manager's ownership and the manager's social reputation and relationship network.

In previous studies, different scholars used different indicators to measure management power. In Li Long-Jie's (2016) research, the management power measurement method is divided into three categories by summarizing the previous researches. The first is to select several dimensions and set the dummy variables, and then add up to form integral variables; Second, select several dimensions, set dummy variables or assign values, and use principal component analysis to determine the proportion, and finally synthesize the comprehensive variables according to the proportion; third, choose several dimensions of management power and return to a single dimension. Wang Mao-lin et al. (2014) selected the first method to measure the consistency. Based on the three indicators of whether the general manager and the chairman of the board are united, the degree of equity dispersion and the depth of the enterprise pyramid control chain (which is the longest level of the enterprise pyramid control chain), combined with the dummy variables of the high and low power categories, the management power integral variable Tpower is synthesized to measure. Domestic scholars An Ling, Shen Qing-qing and others (2016) chose the second method to measure. In the study, they used the characteristics of executive structure power, political connection, and tenure, external part-time, education, board size and equity balance to characterize the power of executives and construct the executive power index Power by principal component analysis. The greater the index, the greater the power of the executive. Lu Rui (2008) adopted the third method to measure management power. Firstly, according to whether the chairman is concurrently the general manager, the degree of shareholding dispersal, and the senior management personnel's tenure, the management powers are respectively defined and returned separately.

At the same time, in some scholars' researches, there is a clear relationship between management power and management compensation. Xu Wei and Ye Chen-gang (2016) used the data of listed companies from 2009 to 2014 as a sample. Through empirical tests, it was found that management power was positively related to management compensation, and management power increased to help managers obtain more compensation. Wang Wei (2012) conducted a study of 1,194 samples of 177 listed companies in the monopoly industry from 2003 to 2010 and found that executive compensation is positively related to executive control, that is, the greater the executive control power, the higher the executive compensation level.

In previous studies, some scholars have separately studied the impacts of management compensation and power on budget slack.

Yu Tuan-ye (2012) selected data from 344 A-share manufacturing companies on the Shanghai Stock Exchange from 2007 to 2010 as a sample to study the impacts of different characteristics of corporate executives on budget slack. Through empirical analysis, it was found that if the annual salary of executives depends on the realization of the company's budget goals and the company's performance, then the company's executives will try to set a more stable budget goal to make it easier to maximize their own interests, therefore, the conclusion was that the higher the proportion of senior executives who accept a fixed salary in the enterprise, the greater the slack of corporate budget.

Gao Xin-zhi (2017) studied the impact of executive pay gap on corporate budget slack. Taking the observations of listed companies in Shanghai-Shenzhen A-share manufacturing industry from 2013 to 2015 as the research

sample, the multiple regression and the logistic regression method were used to conduct empirical test and robustness test on the proposed hypothesis, and found that the corporate executive pay gap is significantly negatively correlated with the budget slack level., indicating that corporate executive pay gap could reduce budget slack.

The view of Wan Cheng (2017) is just the opposite. They thought that the greater the executive power, the greater the influence of executives on budget preparation and decision-making, and the information asymmetry between executives and shareholders. The higher the degree, the higher the agency cost of the information asymmetry enterprise and the budget slack may be accompanied by the agency problem of the enterprise.

In order to test the relationship between political connections, management power, power distance and budget slack, Li Long-jie (2016) used the budget data of Shanghai ASR listed companies from 2010 to 2102 as a research sample, and based on the collection of necessary data, the model examined the relationship between the antecedent variable and budget slack, and found that the power distance is positively correlated with the budget slack. The management power would play different roles in different property rights enterprises, and the choice of different dimensions of management power will also have different effects on budget slack.

Shi Zong-qi (2017) collected and manually compiled the data of the manufacturing industry in Shanghai and Shenzhen from 2013 to 2015. Using the nonlinear regression model, the research samples and data were screened, calculated and summarized for empirical analysis. Firstly, according to the control right allocation mode, the enterprises were grouped, the main variables were defined, and descriptive statistics were carried out. Then the multiple regression models were used to verify the factors affecting the budget slack, and then the conclusion was reached: management shareholding within a certain degree has a restraining effect on budget slack. Because the managers enjoy the economic rights of some companies by means of holding part of the equity, the management can participate in the business plan of the company in the role of shareholders, and can also share the benefits. In this case, management has an incentive to contribute to the company's development in a better direction, which in turn will reduce the degree of budget slack.

In summary, most of the researchers studied the factors affecting budget slack from the aspects of agency theory and information asymmetry. The gender, age, term of appointment and political background of the management are all reasons, but it is difficult to artificially control such factors to solve the problem of budget slack in the enterprises, in contrast, management power, and management compensation are easy for the principal to adjust and control, which are the main way to alleviate the agency problem. By studying the extent of the impacts of these two factors on budget slack, it could effectively make recommendations for the overall budget management of enterprises.

At the same time, in the previous studies, most of them studied the impact of one of management power and management compensation on budget slack. In fact, both power and compensation interact and influence each other. Therefore, this paper hopes to study their impacts on budget slack from two aspects: the role alone and the two, and propose corresponding suggestions based on the research results.

Analysis and Methods

Due to the separation of ownership and management rights, there are agency problems in the business management activities of enterprises: shareholders pursue the maximization of wealth, while managers pursue the maximization of their own interests. Therefore, in the business process of the enterprise, the principal will find a way to solve the risk that the agency problem brings to itself. The incentive measures are one of the ways, including salary incentives and equity incentives. The first is compensation incentives. The consignor often signs contracts with management personnel. When the target is achieved, the manager can get the agreed

rewards and even performance rewards. If the target is not met, the manager may be punished or even be dismissal. Therefore, executives often use their own information advantages to make a more relaxed budget, making it easy to achieve and thus get the corresponding compensation. Through the analysis of principal-agent theory and information asymmetry theory, we can find that executives will make a loose budget in order to get higher compensation, so we propose the following assumptions:

H1：Management compensation is positively correlated with the company's budget slack
Followed by equity incentives. The principal will often grant the executives part of the equity based on the management results of the executives. On the one hand, it is rewarding, on the other hand, it reduces the moral hazard of management. When the senior management of the company owns a part of the equity, it relieves the separation of ownership and control of the enterprise to a certain extent. At this time, the managers holding the equity pursue the same as the clients, that is, the shareholder wealth is maximized. In this case, the managers may reduce the degree of budget slack, formulate a reasonable budget for the current situation of the enterprise, optimize resource allocation, reduce the cost of the enterprise, increase the income, promote the development of the enterprise, ultimately bring higher benefits to the owners of the company and bring higher benefits to itself, so we get the second hypothesis:

H2：Management power is negatively correlated with the company's budget slack.
At the same time, however, the above two assumptions ignore the interaction between management power and management's compensation. This is not independent of each other. In previous studies, management power also affects management compensation. Executives may use their power and information to gain higher pay. Based on the two assumptions mentioned above, management compensation will promote a loose budget, while management power will inhibit budget slack. The cross-impact effects of the two on corporate budget slack are difficult to predict. However, in contrast, the equity held by the management has a greater benefit to the executives. The management's salary is relatively insignificant to their profits. By making the right budget to control, saving costs, increasing revenue, and ultimately bringing higher returns to shareholders is a better choice, so we can get the following assumptions:

H3: When management power and management compensation work together on the company's budget slack, the influence of management power is dominant, but the degree of joint influence will be weaker than the impact of management power alone on budget slack.

The data in this paper mainly comes from the Guotaian database, the Ruisi financial database, the wind database and the budget information and annual reports disclosed by the manual collection of listed companies. However, since the company's disclosure of the budget is carried out according to the company's wishes, fewer companies will disclose internal data such as budgets, so the data collected in this study is little. This paper takes China's Shanghai and Shenzhen A-share listed companies as research objects from 2011 to 2018, and selects 221 listed companies that disclosed the company's budget as samples, and processes the samples according to the following criteria: (1) Excluding during this period ST's business; (2) Excluding samples of incomplete information disclosure and missing data. After the above treatment, 517 data samples are finally obtained.

For the measurement of budget slack, this paper draws on the method proposed by Professor Pan Fei (2007), selects the company's operating income budget and the actual operating income of the previous year as the initial data, then use the collected data to calculate the company's expected revenue growth rate, and then use the company's expected revenue growth rate minus the same industry's average main business income growth rate to get the company's budget slack, But the data obtained at this time is contrary to the result we need (that is, the smaller the value, the greater the budget relaxation). In order to meet the requirements of our index, we

can finally subtract the result from the natural number 1 to get the final result. The larger the value, the higher the budget slack. Slack's formula is:

$$\text{Slack}=1 - [\ (I_n^{*} - I_{n-1})/\ I_{n-1} - I_{n-1}^{\wedge}\ ]$$

Among them, Slack represents the budget slackdegree of the listed company, I_n^{*} represents the operating income budget of the nth year disclosed by the listed company, I_{n-1} represents the actual operating income amount of the n-1 year, $I_{n-1}^{\wedge}$ represents the average growth rate of the main business income of the same industry in the n-1 year.

As an important part of the corporate governance structure, management plays a key role in the decision making and strategic planning of the enterprise. Compared with other grassroots personnel, management personnel are more likely to influence the decision-making of the enterprise. In terms of defining the management personnel of listed companies, there are two research methods adopted by domestic scholars: one is to study the chairman and general manager as management personnel, the other is to study the board of directors, the members of the board of supervisors, the general manager, the deputy general manager, the chief financial officer, and the secretary of the board of directors. The new "Company Law" stipulates that: senior management personnel refer to the company's manager, deputy manager, financial controller, board secretary of the listed company and other personnel as stipulated in the company's articles of association. In the research of this paper, the management personnel refer to the incumbent general manager, deputy general manager, financial controller, and secretary of the board of directors disclosed in the company's annual report. Board members, members of the board of supervisors, and chairman of the board of directors are not included in the management personnel.

(1) Salary (management compensation): The number of management personnel is different for each enterprise due to factors such as size; therefore, this article uses the average salary of the previous year's budget for the incumbent management personnel disclosed in the company's annual report as a measure.

(2) Power (management power): Management power can be measured by the management's tenure, equity, political background and other indicators. The equity held by the management is relatively important, so this paper uses the average number of shares held by the management at the beginning of the year as a measure of management's power.

(3) Ps (management power and management compensation work together): In the model, this paper uses the product of management power and management compensation as indicators to measure the common impact of the two.

At the same time, because the budget slack calculated by the above method is about 1 in size, in order to make the numerical difference between the independent variable and the dependent variable not too large, and to ensure the accuracy of the analysis, in this paper, the natural logarithm is taken as the final analysis data based on the above calculation process, but since the two explanatory variables of Power and Ps have a value of 0, therefore, when taking the logarithm, the operation is performed by adding 1 to the original value and then taking the natural logarithm.

In order to measure the impact of the two variables Salary and Power on the degree of corporate budget slack, this paper builds the following model:

$$\text{Slack}=\beta_0+\beta_1\times\text{Salary}+\beta_2\times\text{Power}+\beta_3\times\text{Roa}+\beta_4*\text{Income}+\beta_5\times\text{Hold}++\Sigma\text{Year}+\Sigma\text{Indcd}+\varepsilon \quad （1）$$

In order to measure the impact of the intersection of management power and management compensation on corporate budget slack, this paper constructs Model 2 to test the correctness of the hypothesis:

$$Slack=\beta_0+\beta_1 \times Ps+\beta_2 \times Roa+\beta_3 \times Income+\beta_4 \times Hold++\Sigma Year+\Sigma Indcd +\varepsilon \qquad (2)$$

In order to test the above hypotheses, this paper adopts the above models to conduct multiple linear regression analysis. According to the research hypotheses proposed in the third chapter, the management salary is positively correlated with the enterprise budget slack, that is, the higher the management salary, the greater the degree of corporate budget slack. The impact of management power and the cross-influence of management compensation and management power are negatively correlated with corporate budget relaxation. Therefore, the expected symbol of β_1 in model 1 is positive, the expected symbol of β_2 is negative, and the expected symbol of β_1 in model 2 is negative. The other variables are control variables, and their interpretation and definition (calculation method) are shown in Table 1:

Table 1 variable definition

Variable name	Variable symbol	Variable definition or calculation method
Explained variable	Slack	Budget slack, Slack=1 - [$(I_n{}^* -I_{n-1})/ I_{n-1} - I_{n-1}{}^{\wedge}$]
Explanatory variable	Power	Management power, measured by the natural logarithm of the management shareholding average
	Salary	Management compensation, measured by the natural logarithm of the average management pay
	Ps	The combined impact of management power and compensation, Ps=LN（Power*Salary）
Control variable	Income	Operating income, used to control the size of the company, take the natural logarithm
	Hold	Dumb variable, to measure whether the chairman and the general manager are in one, take 1 or not 0
	Roa	Return on assets, Roa = net profit / average total assets
	Year	Year dummy variable
	Indcd	Industry dummy variables, due to the small amount of data in this study, there are three categories: real estate and construction industry (1), other types of industries (2), and manufacturing (3).

Results and Discussion

From Table 2, we can see that the maximum and minimum values of enterprise budget slack in the sample data are quite different, but the budget slack calculated by the budget slack method in this paper is mostly around 1, so the sample fluctuation is not very large, which can be seen from the variance of 0.308. The average salary of the management is 12.75. The difference between the maximum and the minimum is large. The standard deviation is 0.663. The overall trend is relatively stable. Compared with the above two data, the management power fluctuates greatly. The natural logarithm of the number of shares held by the management is used as a measure. Some of the companies in the sample do not have management shareholdings. Therefore, the data

fluctuates greatly. In the same way, the combination of management power and compensation is calculated by the product of Salary and Power. There is also a phenomenon of 0, and this calculation will amplify the gap between the data. It can also be seen in Table 2 that the standard deviation of the Ps variable is 12.671, which is greater than the variance of Power.

Table 2 Descriptive statistics of all interpreted and explanatory variables

Variables	Sample size	average value	Standard deviation	Minimum	Maximum
Slack	517	0.966	0.308	-1.264	2.038
Salary	517	12.764	0.663	8.294	14.378
Power	517	9.625	6.860	0.000	18.784
Ps	517	18.382	12.671	0.000	31.584

After descriptive statistics on the samples, the SPSS software was used to test the correlation of the samples, and the matrix of Pearson correlation coefficients was obtained. The results are shown in Table 3 and Table 4. As can be seen from the tables, the coefficients of each variable between Model 1 and in Model 2 are significantly less than 0.5, indicating that there is no obvious collinearity between the variables. In order to further verify whether there is such a problem in the model, this paper uses SPSS software for further analysis, and obtains the data shown in Table 4 and Table 5, wherein the value of VIF is between 1-10 and the tolerance is less than 1, indicating there is no serious collinearity problem, and Model 1 and Model 2 are valid. And the models can preliminarily prove that there is a certain relationship between explanatory variables and dependent variables, and prove that there is a significant correlation between management compensation and management power.

Table 3 Correlation coefficients of the main variables of Model 1

Variables	Slack	Salary	Power	Income	Roa	Hold	Year	Indcd
lack	1							
Salary	0.128^{***}	1						
Power	-0.131^{***}	0.061^{**}	1					
Income	0.112^{***}	0.143^{***}	-0.144^{***}	1				
Roa	0.100^{**}	0.081^{**}	0.175^{***}	-0.149^{***}	1			
Hold	-0.038	0.018	0.020	0.046	-0.010	1		
Year	-0.029	0.004	0.094^{**}	0.009	-0.024	0.152^{***}	1	
Indcd	-0.074^{*}	-0.063^{*}	0.143^{***}	-0.135^{***}	0.102^{**}	-0.101^{*}	-0.005	1

***, **, * indicate the significance level at 1%, 5%, and 10% respectively, and the sample size is 517

Table 4 Correlation coefficients of the main variables of Model 2

Variables	Slack	Ps	Income	Roa	Hold	Year	Indcd
Slack	1						
Ps	-0.113**	1					
Income	0.112***	-0.118***	1				
Roa	0.100**	0.167***	-0.149***	1			
Hold	-0.038	0.024	0.046	-0.010	1		
Year	-0.029	0.083*	0.009	-0.024	0.152***	1	
Indcd	-0.074**	0.133***	-0.135***	0.102**	-0.101**	-0.005	1

***, **, * indicate the significance level at 1%, 5%, and 10% respectively, and the sample size is 517

Table 5 Collinearity test of model 1

Variables	Tolerance	VIF
Salary	0.961	1.041
Power	0.927	1.079
Income	0.927	1.078
Roa	0.939	1.065
Hold	0.965	1.036
Year	0.967	1.034
Indcd	0.949	1.054

Table 6 Collinearity test of model 2

Variables	Tolerance	VIF
Ps	0.943	1.060
Income	0.955	1.047
Roa	0.950	1.053
Hold	0.965	1.036
Year	0.969	1.032
Indcd	0.954	1.048

According to the foregoing model 1, the first two hypotheses proposed in the previous section are tested by means of multiple linear regressions, and the model is fitted by stata software, and the results shown in Table 7 are obtained:

Table 7 Model 1 regression results

Variables	Expected symbol	(1) Slack
Salary	+	0.047^{**}
		(0.020)
Power	-	-0.006^{***}
		(0.002)
Income	Control variable	0.030^{**}
		(0.013)
Roa	Control variable	0.766^{***}
		(0.270)
Hold	Control variable	-0.001
		(0.027)
Year	Year dummy variable	
Indcd	Industry dummy variable	
Adjusted R^2		0.149

***, **, * indicate the significance level at 1%, 5%, and 10% respectively, and the sample size is 517

From the regression results from Table 7, we can see that the management compensation is positively correlated with the slack of the corporate budget, and the significant level is significant within 5%. Since executives use the lower budget to get the results they expect in order to get the contracted salary, and the higher the contractual compensation, the more obvious the tendency of executives to make loose budgets, and the greater the budget slack, which conforms to the assumptions made in Hypothesis 1; Secondly, the power of management is negatively correlated with the slack of corporate budget, which is significant at the 1% level. After the executives' holding, they actually belong to the owners of the enterprises, and to some extent, it helps solve the problems of separation of corporate control and ownership. Therefore, the management will pay attention to establishing a reasonable budget level to maximize the wealth of shareholders. The greater the power of management and the lower the slack of corporate budget, this verifies hypothesis 2.

To test whether Hypothesis 3 is true, we analyze Model 2 by STATA software, and the results are shown in the following table:

Table 8 Model 1 regression results

Variables	Expected symbol	(1) Slack
Ps	+	-0.003***
		(0.001)
Income	Control variable	0.036***
		(0.012)
Roa	Control variable	0.820***
		(0.270)
Hold	Control variable	-0.001
		(0.027)
Year	Year dummy variable	
Indcd	Industry dummy variable	
Adjusted R^2		0.135

***, **, * indicate the significance level at 1%, 5%, and 10% respectively, and the sample size is 517

From the results in Table 8 above, it can be concluded that when management power and management compensation work together on the slack of corporate budget, Ps is negatively correlated with the degree of corporate budget slack, and its significance is lower than the impact of management power on budget. This is consistent with the assumption 3 presented above. Because the shares held by the executives bring more benefits to them, the better the business conditions of the company, the higher the benefits for the equity owners, and the higher the management holds the equity, the higher the benefit. Reasonable budgeting and management will help companies to obtain higher returns. Therefore, under this incentive, management power has a greater impact on budget slack, but the temptation of compensation also exists, thus weakening the suppression effect of management power on budget slack.

Discussion

In the process of robustness test, this paper adopts the average of the top three of the executives to replace the Power in the model, Ps is also the product of the two, and the processing method and other control variables remain unchanged, and then use the above model to re-analyze the regression analysis. The results obtained are shown in Tables 9 and 10. As can be seen from the following two tables, the regression results after the substitution variables are the same as the conclusions obtained above. Therefore, the conclusions drawn in this paper are basically true and reliable and have reference value.

Table 9 Model 1 robustness test results

Variables	Expected symbol	(1) Slack
		0.047^{**}
Salary	+	(0.020)
		-0.006^{***}
Power	-	(0.002)
		0.030^{**}
Income	Control variable	(0.013)
		0.759^{***}
Roa	Control variable	(0.270)
		-0.000
Hold	Control variable	(0.027)
Year	Year dummy variable	
Indcd	Industry dummy variable	0.147

***, **, * indicate the significance level at 1%, 5%, and 10% respectively, and the sample size is 517

Table 10 Model 2 Robustness Test Results

Variables	Expected symbol	(1) Slack
Ps	+	-0.003^{**}
		(0.001)
Income	Control variable	0.036^{***}
		(0.012)
Roa	Control variable	0.815^{***}
		(0.270)
Hold	Control variable	-0.000
		(0.027)
Year	Year dummy variable	
Indcd	Industry dummy variable	
Adjusted R^2		0.134

***, **, * indicate the significance level at 1%, 5%, and 10% respectively, and the sample size is 517

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Conclusions

Based on the main business revenue budget disclosed by Shanghai and Shenzhen listed companies from 2011 to 2018, this paper explores the impacts of management power and management compensation on corporate budget slack, and analyzes the impact of the combination of the two on the slack of corporate budget. Through the above analysis, the paper draws the following conclusions:

Management compensation will have a positive impact on corporate budget slack. When the compensation provided by the principal to management personnel is higher, the managers will set a more relaxed budget in order to get this compensation, making it easier to achieve, and reduce the effort required to achieve their goals. Therefore, the higher the management's salary, the greater the slack of the company's budget; but if the client replaces the incentives of the management personnel with the equity incentives and increases the power of the executives, the company's budget slack will be reduced, because it effectively alleviates the proxy contradiction at this time. For their own benefit, executives will make reasonable budgets to control costs and increase profits. However, under the cross-cutting effect of the above two, the influence of management power is in a dominant position, which may be due to the fact that it is more attractive to executives to obtain cash dividends through holding shares than management compensation. The greater the power of executives, the higher the income that executives get from them. Therefore, the greater the power of management, the more likely it is to reduce budget slack, and to maximize the shareholder wealth by making a reasonable budget, so that they benefit from it, however, due to the existence of short-term benefits of management compensation, it will have a certain weakening effect on the influence of management power.

Due to the separation of enterprise ownership and control, the agency problem has always been a concern. Its impact on budget slack will also affect the healthy development of enterprises. Many scholars put forward incentives in research to solve the problem of agency. However, in terms of budget relaxation, we can find that the incentive measures are not completely effective in solving the problem of enterprise budget slack. Through the study of Hypothesis 1, it was found that excessive salary does not reduce the degree of budget slack, but will make executives formulate more relaxed budget targets, but another way of stimulating equity incentive, whether considering equity incentive alone or combining it with management compensation, will inhibit the degree of corporate budget slack, so, in solving the problem of budget slack, we should appropriately apply incentives. Therefore, although the predecessors put forward incentives on the basis of many studies as an effective way to solve the agency problem, however, through the research in this paper, we can find that specific problems need to be analyzed in detail. The theory does not necessarily solve all practical problems. In the face of practical problems, it is necessary to draw conclusions through analysis, and it is not possible to draw conclusions based on the researches of the predecessors.

In view of the research in this paper, the paper puts forward the following suggestions in controlling the budget slack degree of enterprises:

First of all, we must properly control the management's remuneration, and do not set too high a salary, so as to avoid the management from making a slack budget in order to obtain remuneration without ethical constraints, which brings bad influence to the enterprise. Secondly, in order to solve the principal-agent problem, the principal can choose to give appropriate equity incentives, so that the executives have a sense of belonging, change from the agent to the owner, from the perspective of shareholders to reduce the degree of budget slack; Once again, when the incentives are implemented, the principal can formulate a standard of exercise in the context of a comprehensive understanding of the company, use the established standards as the starting point for the reward, rather than use the budget as a measure, at the same time, appropriate supervision should be implemented to reduce the negative impact of information asymmetry. Finally, enterprises should recognize the

important role of comprehensive budget management, clarify the adverse effects of budget slack, create a good corporate budget environment, strengthen the construction of integrity and reduce budget slack from the source.

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