

Research on Virtual Equity Incentive Mechanism of Non-Listed Service Companies

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Abstract: Now the epidemic has not disappeared, many service companies have not been affected by the negative impact. For service enterprises, service mode and service quality are very important, and employees decide the service mode and service quality of enterprises. For non-listed companies, it is impossible to use the traditional equity system to motivate employees, so this paper discusses the implementation of virtual equity incentive mechanism in non-listed companies in the service industry. Virtual equity incentive mechanism can help enterprises retain talents, and improve service quality.

Keywords: Virtual Equity Incentive; Service Industry; Unlisted Company

1. Introduction

Talents are the key to the stable development of the service industry, which depends very much on service quality. Therefore, it is of great significance to design an appropriate incentive method for company. But non-listed companies do not have the basis of ordinary equity incentive. In contrast, virtual equity incentive system provides a direction for non-listed companies. How to establish a reasonable and effective virtual equity incentive mechanism to mobilize the enthusiasm of core talents, has become an urgent issue to be solved.

2. Overview of virtual equity incentive

Virtual equity incentive refers to that the company grants a kind of virtual equity to the employees, so that the motivated employees can participate in the daily operation of the company as shareholders, distribute the company's operating profits according to the proportion of equity, and connect their future long-term earnings with the economic benefits of the enterprise, so as to encourage the employees to work harder to create value for the company. Virtual equity incentive does not need to be registered with the business administration department, nor has the legal property of equity, and cannot be traded. It is a form of equity that can only be issued within the company^[1].

Compared with entity equity, holders of virtual equity do not have ownership and voting rights, nor can they be sold or transferred, and will automatically expire when holders leave the company. In essence, non-listed companies simulate employees' performance bonuses into stock options for long-term payment, which is a compensation management behavior that can be designed and controlled by itself.

3 Characteristics of the service industry

From the perspective of service object, service industry includes transportation, modern logistics, finance and information services, accommodation, catering, entertainment, tourism, education and so on^[2].

First, the service is invisible. It sometimes takes a considerable amount of time to discover the inadequacy of service products, such as medical and dental services, accounting, architectural design services, etc^[3].

Second, it difficult to standardize service products. In many cases, the quality of the service is uncertain in advance for the consumer. For example, in the medical industry, consumers' cognition level is limited. Information between service

providers and consumers is asymmetrical. Consumers also cannot try out the service products before purchase.

Generally speaking, corporate performance in the service industry is relatively dependent on the service quality of employees. The poor performance of some employees may drive away consumers virtually. The image and subsequent development of the enterprise will be easily affected. For non-listed companies, the virtual equity incentive mechanism can better improve the service performance of employees^[4].

4. Implementation plan of virtual equity incentive

To sum up, for non-listed service companies, the virtual equity incentive mechanism provides a good solution to the long-term talent incentive problem in the process of company development. But the virtual equity incentive mechanism has certain advantages, there are some deficiencies. Therefore, in the process of implementing the virtual equity incentive mechanism, the company should make a comprehensive review and consideration, guide employees to volunteer rather than be forced, properly disclose data on the premise of not affecting the business operation, and formulate a perfect system to avoid business risks. To be specific, a perfect virtual equity incentive system should pay attention to the following aspects.

4.1 Determine virtual equity incentive objects

The purpose of implementing the virtual equity incentive mechanism is to motivate the employees who have a positive role in the long-term development of the company, give full play to the exemplary role of these employees, and encourage more employees to follow the example of these employees. Therefore, the object of awarding should include the company's core management personnel, the business core backbone that has a direct impact on the overall performance and sustainable development of the company, and the excellent front-line service personnel^[5]. When evaluating employees' performance, they can comprehensively consider the post value, personal performance, historical contribution, years of service, contribution degree of personal quality to the company, etc. At the end of the year, they will be given a comprehensive score and divided into grades according to their performance. Each grade shall be divided according to the requirements and standards of mandatory distribution. The employees with top assessment results can enjoy the company's equity incentive policy^[6].

4.2 Determine the amount of virtual equity

When constructing the scheme of virtual equity incentive mechanism, we should consider the total amount of virtual equity and the number of incentive objects that can be allocated. The total amount of virtual equity is closely related to the growth rate of profits, net assets and profits of enterprises in recent years. Too little distribution can hardly play an incentive role, while too much distribution will greatly reduce corporate profits^[7]. The company can choose return on equity and growth rate of net asset, as the basis for the calculation of the number of virtual equity grants. These two indicators reflect the operating condition of the company in terms of the quantity and speed of earnings. The company can roughly determine the total amount of equity based on the total amount of distribution and the degree of completion of business objectives. In addition, according to the number of the incentive object, performance requirements, service life and other factors to determine the incentive object can be allocated the number of virtual equity. The amount of virtual equity incentive granted in a company is linked to the service performance of employees^[8]. In addition, the number of virtual equity can be rolling. In the early stage of employee shareholding, a small amount of equity incentive is mainly used. With the increase of employees' working hours, the amount of equity will be gradually increased, which is conducive to improving the enthusiasm of employees. At the same time, the exercise period of virtual equity can be set. Employees gradually accumulate equity during their tenure and can exercise equity only after reaching a certain number of working years, so as to obtain benefits. In this way, the staff can be stable, the turnover rate can be reduced, and it is more conducive to the retention of talents.

4.3 Determine the amount of dividends

In the actual dividend operation, in order to reduce the impact of operating fluctuations on the dividend, it is generally not to distribute all the income, but to use part of it for current dividend, and the rest can be carried over to the next year for

deferred dividend, so as to avoid large fluctuations in the dividend amount. Since there is no real stock trading, the business structure of the enterprise will not change basically because of the change of equity. Moreover, the substantive rewards of bonus, evaluation, assessment and other contents in the past can be replaced by virtual equity. By using the characteristics of virtual equity, the one-time reward can be extended to long-term reward, which can enhance the sense of belonging of employees to the enterprise^[9].

4.4 Determine the principle of the change of equity quantity of equity holders

When designing the equity incentive scheme, the company should make clear stipulations on the quantity variation and withdrawal mechanism, so as to guarantee the quality of the implementation of equity incentive. The human resources Department can establish corresponding employee files to record the changes of employees' equity rights. When the employees choose to resign or have to go through the abnormal separation procedures under other circumstances, the company shall recover the employees according to the regulations. In case of violation of discipline and law, the repurchase price may be set as the purchase price; In the case of normal separation, the buyback price can be set at the purchase price plus an appropriate dividend based on the length of service.

5. Conclusion

Exploring the application of virtual equity incentive is an important practice for non-listed enterprises to keep ahead in the fierce competition in the service industry. In the process of program formulation, multiple factors such as incentive object, implementation conditions, equity structure and enterprise development strategy should be comprehensively considered, the long-term effectiveness and assessment constraints of incentive mechanism should be highlighted, and the incentive object should be deeply bound to enterprise development, so as to attract and retain high-quality talent team. Motivate employees to create value for the company and focus on the development of the company.

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