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Does Accrual-Based Pay Sensitivity Improve Firm Value? Evidence from Chinese Listed Firms

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Abstract:

This study employed data from non-financial listed companies on the Shanghai and Shenzhen A-share markets between 2000 and 2024 to construct an accrual-based profit-sharing performance sensitivity (PPS) metric. It examines the impact of such PPS on future firm value and introduces dual ownership separation (the gap between control rights and cash flow rights) as a moderating variable. It examines the impact of such PPS on future firm value and introduces dual ownership separation (the gap between control rights and cash flow rights) as a moderating variable. However, separation of ownership and control weakens this positive relationship, albeit with limited statistical significance, while separation itself exerts no significant direct effect on corporate value. The findings indicate that under China's context of concentrated shareholding and prevalent earnings management, the incentive efficacy of PPS is constrained by governance structures. This study recommends strengthening earnings quality regulation, optimising disclosure practices, protecting minority shareholders, and tailoring compensation contract design to equity structures to enhance incentive effectiveness and corporate value.

Keywords: Accrual-Based Pay–Performance Sensitivity (PPS); Separation of Ownership and Control; Firm Value

1. Introduction

Within modern corporate governance, executive compensation contracts are regarded as core mechanisms for mitigating agency problems arising from the separation of ownership and control. Classical agency theory posits that tying executive pay to corporate performance incentivises managers to maximise shareholder value [1]. Pay–performance sensitivity (PPS), a key metric for evaluating incentive contracts, captures the extent to which executive compensation responds to changes in performance. Among alternative performance measures, accrual-based accounting profit is widely used in contract design because it comprehensively reflects operating outcomes. However, accrual profits are susceptible to accounting judgement and earnings management,

which raises debates about their incentive efficacy across different regulatory environments [2]. In the Chinese market—characterised by concentrated ownership, dominant controlling shareholders, and pervasive information asymmetry—compensation schemes based on accrual profits may yield outcomes that differ from those observed in mature markets [3].

Theoretically, the core rationale for the positive correlation between PPS and corporate performance lies in the notion that 'performance linkage' motivates executives to exert greater effort and improve operational decision-making [4]. In practice, however, its incentive effect is influenced by the quality of performance metrics, market conditions, and governance structures. In China, significant disparities exist between state-owned enterprises (SOEs) and private enterprises regarding remuneration systems and performance evaluation. SOE executive compensation frequently faces administrative interference, and PPS demonstrates low sensitivity. Concurrently, a widespread phenomenon of 'separation of ownership and control rights' exists among Chinese listed companies, characterised by a substantial gap between control rights and cash flow rights. This structure may exacerbate conflicts of interest between major shareholders and minority shareholders, thereby impacting the operational mechanisms of compensation contracts [5]. For instance, heightened separation may create scope for earnings management or short-termism, thereby diminishing the positive impact of accrual-based PPS on corporate value. This paper therefore focuses on addressing two core questions: firstly, whether accrual-based PPS can effectively enhance corporate value within the Chinese capital market context; and secondly, whether the degree of separation within a company alters the relationship between PPS and corporate value.

The contributions of this paper are threefold. First, within the context of China's capital markets, it systematically examines the impact of accrual-based pay–performance sensitivity (PPS) on subsequent firm value, providing localised evidence on the effectiveness of executive compensation contracts in emerging-market settings. Second, it incorporates the separation of ownership and control into the PPS framework and explores the moderating role of ownership structure in shaping compensation incentives, thereby enriching research at the intersection of executive incentives and corporate governance. Third, it offers policy recommendations from regulatory and governance perspectives—optimising performance-metric selection, enhancing earnings quality, protecting minority shareholders, and aligning equity structures with incentive design—to improve incentive effectiveness and capital-market resource allocation efficiency.

2. Theoretical Analysis and Hypotheses

2.1 The Relationship Between Pay-Performance Sensitivity (PPS) and Enterprise Value

According to classical agency theory, in modern corporations where ownership and control are separated, well-designed executive incentive mechanisms mitigate principal–agent conflicts and align managerial and shareholder objectives [1]. Pay–performance sensitivity (PPS) serves as a central metric for evaluating the effectiveness of incentive contracts, capturing how executive pay responds to changes in firm performance; a higher PPS indicates stronger pay reliance on performance and thus stronger incentives. Among performance measures, accounting profit—especially accrual-based profit—is widely used because it reflects near-term operating outcomes and signals resource-allocation efficiency [6]. Research in mature markets has consistently found a significant positive association between accrual-based PPS and corporate performance [7], suggesting that such incentives promote firm value. Nevertheless, accrual-based profits are vulnerable to managerial discretion (e.g., earnings management). When accounting standards permit substantial discretion and information asymmetry is high, their effectiveness as performance metrics may be weakened [8]. In China's capital markets, this risk is particularly salient given high ownership concentration, uneven disclosure quality, and the prevalence of earnings management [9]. Accordingly, we posit:

Hypothesis 1. In China's capital markets, accrual-based PPS significantly improves subsequent firm value.

2.2 The Moderating Role of the Separation of Ownership and Management Rights in the Relationship between PPS and Enterprise Value

The alignment between control rights and cash-flow rights is a core feature of corporate governance. When control rights exceed cash-flow rights materially—a "separation of rights"—controlling shareholders exercise greater discretion while bearing less economic risk [10]. International empirical research has shown that large wedges between control and cash-flow rights often exacerbate conflicts between controlling and minority shareholders, induce resource tunneling, related-party transactions, and earnings manipulation, and undermine the effectiveness of governance mechanisms such as pay incentives [11]. Under such structures, even if firms design substantial performance-based pay schemes (PPS) tied to accrual profits, controlling shareholders may weaken the incentives by gaming assessment metrics or exploiting accounting discretion, thereby crowding out long-term investment. Moreover, a large separation between ownership and con-

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trol heightens incentives for earnings management, eroding the informativeness of accrual-based profit measures and diluting valuation effects. Therefore, in China's setting of concentrated ownership and prevalent separation of ownership and control, this separation is expected to attenuate the positive relation between accrual-based PPS and subsequent firm value. Accordingly, we state:

Hypothesis 2. The greater the separation between ownership and control, the weaker the value-enhancing effect of accrual-based PPS on future firm value.

3. Research Design

3.1 Samples and Data

The initial sample consisted of non-financial firms listed on the Shanghai and Shenzhen A-share markets during 2000–2024. We excluded ST/*ST firms, cross-listed companies, and observations with missing data. All data were obtained from the CSMAR database.

3.2 ariable Definition and Measurement

The market value of enterprises in the subsequent year (t+1) was used as the dependent variable to better capture the impact of current remuneration incentives on future market valuation. Specifically, Tobin's Q in t+1 (tobinq_lead) was adopted as the measurement indicator, since Tobin's Q reflects market expectations and capital allocation efficiency while incorporating both short-term market responsiveness and long-term growth potential [6]. This approach helps mitigate the myopia inherent in evaluations based solely on contemporaneous performance and is widely applied in corporate governance and executive-incentive research.

The core independent variable was the pay–performance sensitivity (PPS) based on accrual profits, which measured the responsiveness of executive compensation to changes in accounting profits. The PPS coefficient was estimated through annualised regression using the relationship between executive compensation and accounting profits (net profit), where net profit was transformed into its logarithmic form ln(1 + net profit) to avoid negative values and mitigate heteroskedasticity effects. Compared with PPS based on stock returns, the accrual profit metric provides a more comprehensive reflection of a firm's operational performance and managerial capabilities, aligning more closely with performance evaluation practices in emerging markets [6]. Nevertheless, accrual profit is susceptible to accounting judgement and earnings management, thereby illustrating the constraints imposed by institutional and governance environments on incentive effectiveness [2].

The moderating variable was defined as the "Gap" between ownership and control, calculated as the difference between the ultimate controlling shareholder's proportion of voting rights and proportion of cash-flow rights. Control was measured by voting-rights proportion, whereas cash-flow rights were measured by dividend-entitlement proportion. A larger Gap indicates that controlling shareholders exercise greater decision-making authority while bearing less economic risk, a structure that may lead to interest appropriation, resource diversion, and earnings manipulation [12]. Against the backdrop of highly concentrated ownership and widespread separation of voting and economic rights in China, this variable facilitated testing of the moderating effect of ownership structure on the relationship between PPS and firm value.

To mitigate omitted-variable bias and isolate the influence of other firm characteristics on enterprise value, the analysis adopted the following control variables, consistent with prior literature [13]: (i) firm size (Size, measured as the natural logarithm of total assets); larger firms may experience valuation discounts due to organisational inertia or information asymmetry, thereby affecting market value; (ii) debt-to-asset ratio (Lev, total liabilities/total assets), as capital structure influences risk and capital costs, potentially affecting market capitalisation; (iii) profitability (ROA, net profit/total assets), which reflects current operating performance and serves as a direct driver of valuation; (iv) fixed-asset ratio (Fixed, fixed assets/total assets), as asset composition determines investment flexibility and return efficiency; (v) current-asset ratio (Current, current assets/total assets), which captures liquidity and short-term solvency and may affect investors' risk assessments; and (vi) board size (People), which measures the effect of board scale on decision-making efficiency and oversight. In addition, annual fixed effects (to absorb macroeconomic and institutional changes) and firm fixed effects (to net out time-invariant firm traits) were included in all regressions to enhance interpretability and robustness.

3.3 Measurement Models and Estimation Methods

Baseline Model (Model 1)

$$TobinQ_{i,t+1} = \beta_0 + \beta_1 a_{1,i,t} + \gamma' Controls_{i,t} + \mu_i + \lambda_t + \varepsilon_{i,t} \quad (1)$$

Moderation Effect Model (Model 2)

$$TobinQ_{i,t+1} = \beta_0 + \beta_1 a_{1,i,t} + \beta_2 Gap_{i,t} + \beta_3 \left(\alpha_{1,i,t} \times Gap_{i,t}\right) + \gamma' Controls_{i,t} + \mu_i + \lambda_t + \varepsilon_{i,t} \quad (2)$$

4. Empirical findings

4.1 Sample Profile and Distribution Character-

istics

Table 1: Sample Overview

Variable	N	Mean	p50	SD	Min	Max
tobinq_lead	45036.000	2.213	1.594	12.917	0.611	1752.705
profit	45036.000	5.405e+08	1.054e+08	3.747e+09	-6.874e+10	1.803e+11
alpha1	45036.000	0.215	0.213	0.017	0.040	0.265
gap	45036.000	4.775	0.000	7.326	0.000	27.968
roa	45036.000	0.031	0.037	0.463	-51.947	22.005
fixed	45036.000	0.567	0.582	0.207	0.009	1.000
current	45036.000	0.222	0.188	0.166	0.000	0.971
size	45036.000	22.081	21.902	1.311	18.862	26.075
lev	45036.000	0.433	0.424	0.211	0.053	0.985
people	45036.000	8.572	9.000	1.737	0.000	19.000

Table 1 reports the key statistical features of the sample. The sample has covered non-financial firms listed on the Shanghai and Shenzhen A-share markets from 2000 to 2024, totaling 45,036 firm-year observations. This breadth reflects variation across industries, sizes, and governance structures. The mean of tobinq_lead is 2.213 (median 1.594), but the standard deviation is 12.917 and the maximum reaches 1,752.705, indicating a heavily right-skewed distribution driven by a handful of extremely valuable firms. The core explanatory variable—accounting-profit-based pay sensitivity (alpha1)—has a mean of 0.215 and a median of 0.213, suggesting a tightly clustered distribution with some cross-firm dispersion. The moderator, the separation of ownership and control (gap), averages 4.775 with a median of 0, implying that many firms show no divergence between control and cash-flow rights, while the upper tail extends to 27.968, revealing pronounced heterogeneity in equity structures. Profitability (ROA) averages 3.1% (median 3.7%) but ranges from –51.95% to 22.00%, indicating substantial losses for some firms alongside exceptional profitability for others. Firm size (size, log total assets) averages 22.081, consistent with a sample of predominantly medium-to-large enterprises. Leverage (LEV) averages 0.433, although some firms exhibit ratios near 0.985. Collectively, these patterns demonstrate substantial heterogeneity in value, incentives, ownership structure, profitability, and capital structure, providing suitable conditions to examine the PPS–value nexus and the moderating role of ownership–control separation.

4.2 Main Regression Results

4.2.1 Benchmark Regression Results (Model 1)

The regression results of Model 1 are presented in Table 2. The first set of results indicates that the regression coefficient for α_1 is 110.066 (p=0.007), significantly positive at the 1% significance level. This demonstrates that, after controlling for other factors, performance sensitivity based on accrual-based compensation significantly enhances corporate value $\text{TobinQ}_{i,t+1}$ over the subsequent year. This finding supports Hypothesis H1, namely that profit-based PPS possesses incentive effectiveness within the Chinese capital market context. Interpreted economically, a one-unit increase in a α_1 is expected to elevate the firm's $\text{TobinQ}_{i,t+1}$ by approximately 110 units (a relationship that holds even after controlling for market valuation benchmarks and outliers). This demonstrates that short-term profit-linked compensation mechanisms to some extent guide management towards actions conducive to enhancing market valuation.

Table 2: Results for Model 1

	Coefficient	std.err.	t	P>|t|	[95%conf.interval]	
alpha1	110.06	41.08343	2.68	0.007	29.51912	190.6008

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size	-1.582629	608124	-2.60	0.009	-2.774808	-.390449
lev	5.674384	3.505904	1.62	0.106	-1.198666	12.54743
current	1.715979	1.395618	1.23	0.219	-1.02002	4.451978
fixed	-1.071505	8260358	-1.30	0.195	-2.690884	5478731
roa	5889647	0202544	29.08	0.000	5492576	6286718
people	0919528	0641707	1.43	0.152	-.0338488	2177544

4.2.2 Model 2 Regression Results

The regression results of Model 2 are presented in Table 3. In the second regression set, the interaction term (inter) between Gap (separation of ownership and management) and $\alpha_{1,i,t} \times Gap_{i,t}$ was introduced. Results indicate that the coefficient for α_1 decreased to 17.364, remaining significantly positive at the 5% level (p=0.033), though its economic magnitude notably diminished compared to the baseline model. This implies that, after accounting for equity structure variations, profit-oriented PPS retains its positive impact on enterprise value, albeit with diminished strength. The coefficient for Gap itself was 0.071, failing to reach significance (p=0.195), indicating that the degree of ownership-management separation alone does not exert a direct, significant driving or inhibiting effect on future enterprise value. The interaction term coefficient was -0.441 (p=0.101), approaching significance at the 10% level and being negative. This indicates that separation of ownership and management rights may diminish the positive impact of α_1 on corporate valuation, aligning with the expected direction in Hypothesis H2 that 'separation of rights weakens incentive effectiveness'. Although statistical significance warrants cautious interpretation, the results exhibit a consistent negative relationship, suggesting that linking executive compensation to accrued profits may be diluted in firms with a substantial disparity between control rights and cash flow rights. Regarding control variables, consistent with the baseline model, Size exhibits a significant negative correlation with $TobinQ_{i,t+1}$ (-1.403, p=0.007), while Lev shows a positive but insignificant correlation. ROA proves insignificant in this model (-2.290, p=0.564), indicating that after introducing the equity structure interaction term, the relationship between profitability and market value is partially absorbed by structural characteristics.

Table 3: Results for Model 2

	Coefficient	std. err.	t	P>|t|	[95% conf. interval]	
alpha1	17.3643	8.122886	2.14	0.033	1.439926	33.28868
gap	0700799	0540885	1.30	0.195	-.0359571	1761169
inter	-.4405119	268436	-1.64	0.101	-.9667627	0857389
size	-1.402628	5221021	-2.69	0.007	-2.426174	-.3790817
lev	4.723082	3.371986	1.40	0.161	-1.887472	11.33364
current	1.12645	1.06319	1.86	0.289	-.9578633	3.210764
fixed	-1.380483	1.126508	-1.23	0.220	-3.588926	8279607
roa	-2.289697	3.967839	-0.58	0.564	-10.06838	5.488988
people	1161039	0850526	1.37	0.172	-.0506361	2828439

4.2.3 Comparison and Interpretation

α_1 is significantly positive in both models, but the coefficient decreases from 110 to 17, indicating that the introduction of separation of powers explains a substantial portion of the variation in PPS's influence on $TobinQ_{i,t+1}$. The Gap itself exhibits no direct value effect within the sample, yet its negative interaction with suggests that governance structure differences may alter the pay-value relationship by influencing incentive contract mechanisms. Economically, in firms with high alignment of ownership and management rights, adopting profit-based PPS may enhance positive incentives. Conversely, in firms with greater separation, factors such as divergent interests between major and minority shareholders and increased scope for earnings management may weaken this incentive chain.

4.3 Robustness Tests

Robustness testing—truncation of extreme values. To examine the robustness of empirical findings, this paper applies 1% and 99% percentile truncation (Winsorisation) to primary explanatory variables and key control variables based on the benchmark regression, thereby mitigating the impact of outliers on regression estimates. Specifically, the variables selected for Winsorisation include $\alpha_{1,i,t}$ and other control variables, truncated at the upper and lower 1% quantiles respectively. Values exceeding this range are replaced with the corresponding quantile value. This method effectively mitigates estimation biases potentially caused by outliers. Following extreme value removal, estimation was reconducted using the same fixed-effects model as the benchmark regression. Results were compared for consistency with the benchmark regression to assess robustness.

The regression results of Robustness Test 1 are presented in Table 4.: The regression coefficient for the core independent variable $\alpha_{1,i,t}$ after outlier removal was 114.7562, significant at the 1% level (p = 0.004). Its sign aligned with the benchmark regression, indicating that even after excluding extreme observations, compensation sensitivity based on accrued profits continues to exert a significant positive effect on future firm value. This result further supports Hypothesis 1.

Table 4 Robustness Test Results 1

	Coefficient	std. err.	t	P>|t|	[95% conf. interval]	
alpha1	114.7562	40.37069	2.84	0.004	35.61262	193.8998
size	-1.439538	4899026	-2.94	0.003	-2.399954	-.4791228
lev	2.271327	1.096768	2.07	0.038	1211997	4.421454
current	7847102	1.209682	0.65	0.517	-1.586777	3.156197
fixed	-.3946192	4785712	-0.84	0.402	-1.317137	5278988
roa	6217934	0000477	1.3e+04	0.000	6216999	621887
people	0086969	0383246	0.23	0.820	-.0664355	0838293

The regression results of Robustness Test 2 are presented in Table 5. The coefficient on the core explanatory variable—accrual-based PPS (alpha1)—was 2.916. Although positive, it did not reach statistical significance (p = 0.267), indicating that under this robustness specification the effect of accrual-based pay–performance sensitivity on next-period firm value was not significant. Relative to the baseline model, the coefficient declined sharply and lost significance, which suggested that under this sample treatment (e.g., variable adjustments or model modifications) the incentive effect of PPS was attenuated. This attenuation may relate to shifts in sample composition, outlier exclusion, or changes to control variables in this specification. The moderating variable Gap (separation of ownership and control) had a coefficient of 0.0117 (p = 0.795), showing no significant effect and corroborating the main finding that Gap by itself does not influence market value. The interaction term (PPS × Gap) was –0.091 and remained statistically insignificant (p = 0.566). Thus, in this robustness test, the weakening effect of separation on the PPS–value relationship retained the expected negative direction but lacked statistical strength. These results should be interpreted with caution.

Table 5 Robustness Test Results 2

	Coefficient	std. err.	t	P>|t|	[95% conf. interval]	
alpha1	2.915634	2.626148	1.11	0.267	–2.232755	8.064023
gap	0117391	045097	0.26	0.795	–.0766706	1001487
inter	–.0906682	1579088	–0.57	0.566	–.4002379	2189015
size	–.9010349	1503024	–5.99	0.000	–1.195693	–.6063771
lev	–.5414883	1.446151	–0.37	0.708	–3.376572	2.293595
fixed	4805087	9960918	0.48	0.630	–1.472263	2.43328
current	–1.405493	1.257697	–1.12	0.264	–3.871124	1.060138
roa	–8.610121	7.135954	–1.21	0.228	–22.59968	5.379442

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people	0390799	0669373	0.58	0.559	–.0921463	1703061

5. Discussion

First, this study found that profit-based pay–performance sensitivity (PPS) significantly enhanced subsequent firm value, a result that aligns with classical agency theory and with evidence reported in mature markets [1]. In particular, when executive compensation is linked to performance, it incentivizes managers to adopt decisions that promote value creation. These findings indicate that, even in China's capital market—characterized by concentrated ownership and pervasive earnings management—profit-based PPS retains incentive effectiveness. This interpretation is consistent with recent research that emphasizes the applicability of accounting-profit metrics in emerging markets [6].

Second, this study found that the separation of ownership and control weakened the positive effect of PPS on corporate value. Although statistical significance was modest, the directional result aligns with the international literature [11], which suggests that widening gaps between control rights and cash-flow rights intensify conflicts of interest between controlling and minority shareholders, thereby diminishing the efficacy of incentive contracts. This pattern was preliminarily validated in the Chinese listed-company sample. However, a key distinction from mature markets lay in our evidence that dual ownership separation itself did not directly and significantly affect corporate value. This may reflect China's high equity concentration and distinctive governance constraints relative to dispersed-ownership markets, suggesting that dual ownership separation primarily influences corporate value indirectly—by shaping the effectiveness of incentive mechanisms—rather than producing a direct, independent effect.

In summary, this study both validates existing theories on the positive role of performance-linked incentive mechanisms and reveals that, within China's unique governance environment, the impact pathway of dual-class share structures differs from mature markets. Specifically, it manifests more as a potential dilution of compensation incentive effects rather than a direct alteration of market value. This provides a reference direction for subsequent research to further examine the relationship between equity structure and incentive effectiveness in emerging markets.

6. Conclusions

6.1 Research Findings

This study employed data on non-financial firms listed on the Shanghai and Shenzhen A-share markets between 2000 and 2024 to construct an accrual-based pay–performance sensitivity (PPS) indicator. Using a fixed-effects panel model, it examined the impact of PPS on subsequent firm value and the moderating role of corporate governance—particularly the degree of separation between ownership and management rights (the gap between control and cash-flow rights). Key findings are as follows:

High PPS shows a significant correlation with future . After controlling for firm characteristics, year effects, and firm fixed effects, accrual-based PPS significantly enhances market value in the following year, indicating that profit-linked remuneration mechanisms generate incentive effects among Chinese listed companies. This conclusion remains robust after outlier trimming.

The separation of ownership and control shows a negative moderating effect on the PPS–value relationship. After the degree of separation and its interaction with PPS are incorporated, the positive PPS coefficient weakens markedly, while the interaction term is negative and approaches the 10% significance level. This suggests that when control rights exceed cash-flow rights by a wide margin, tying executive pay to accrual-based profits delivers weaker incentives. Plausible channels include greater misalignment between controlling and minority shareholders and an expanded scope for earnings management.

By contrast, the separation of ownership and control does not exhibit a significant direct effect on firm value. Within the sample, the simple measure of separation is not significantly related to future firm value, indicating that this governance feature is more likely to influence value indirectly by shaping the effectiveness of incentive contracts.

6.2 Policy Recommendations

Building on the empirical evidence and discussion above, we propose recommendations at both the institutional and corporate-governance levels.

Institutional level. Regulators should strengthen oversight of earnings quality, enhance the information environment, and enforce accounting standards and audit supervision rigorously. They should intensify efforts to detect and sanction earnings management—particularly manipulation of accrual items—thereby improving the reliability of accounting profits as performance metrics. Disclosure regimes should be optimised by tightening requirements on compensation-contract design and performance-metric selection, enabling investors and markets to scrutinise incentive effectiveness more effectively. Minority-shareholder protection should be reinforced by refining legal frameworks to curb controlling shareholders' ability to divert resources through pay structures, thereby constrain-

ing the adverse effects of the separation of ownership and control.

Corporate governance level. Firms should adopt multi-dimensional performance metrics and structured contract designs by introducing integrated financial and non-financial assessment systems. Beyond accounting-profit metrics, remuneration evaluations should include cash flow, Economic Value Added (EVA), R&D expenditure, and customer-satisfaction indicators to mitigate single-metric gaming. Equity structures should be aligned with incentive design: in companies with a high degree of separation between ownership and control, the weight on accrual-based profits in incentive schemes should be reduced appropriately. At the same time, medium- to long-term equity-based incentives should be strengthened to curb short-termism. Finally, the independence of remuneration committees should be enhanced by increasing the proportion and expertise of independent directors, ensuring that pay policies balance shareholder interests with managerial incentives and limiting unilateral influence by controlling shareholders.

6.3 Research Limitations and Future Directions

Although this paper provided a systematic empirical analysis of profit-based PPS in China's capital-market context, several limitations remain and warrant refinement in future research. First (methodological improvements): our measure of separation relied on publicly available shareholding data and did not capture implicit control arrangements such as cross-shareholdings or VIE structures. Future studies should adopt more refined measures of control to enhance the identification of governance characteristics. Second (potential mediating mechanisms): we primarily examined direct relationships and moderating effects; subsequent research could incorporate mediators—such as earnings-management behavior, investment efficiency, and innovation expenditure—to trace the channels through which PPS influences firm value.

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