

The Practical Issues of Corporate Governance in China and Shareholder Meeting Centrism

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ABSTRACT

In the face of the problem of the disconnection between China's corporate legal norms and their practical operations, there is a need to have a correct understanding of the continuous improvement of China's shareholder investment environment, the highly concentrated shareholding structure, and the rationality of major shareholders' active participation in company operation and management. On this basis, China should establish and improve the centrism of shareholders' meeting in China's corporate governance through legislation. Due to the highly concentrated equity structure in China, especially the negative impact of family authority, family interests and traditional culture of family-type companies, the control of Chinese companies is exceptionally strong; China's legislation should clarify the legal responsibility of actual controllers and major shareholders to participate in the operation and management of the company, and establish effective internal supervision institutions, and other means to regulate the control of the company under the centrism of the shareholders' meeting, and promote the rule of law process of China's corporate governance.

KEYWORDS

Corporate Governance; Shareholder's Meeting-Centrism; Family-owned Oriented Companies; Corporate Control.

1. FORMULATION OF RESEARCH ISSUES FOR THIS PAPER

There is a serious disconnect between China's corporate legal norms and actual operations.

From the perspective of China's Company Law and other relevant regulations, China's regulations on corporate governance are quite rigorous: the shareholders' meeting, the board of directors and the supervisory board have statutory powers and each performs its own duties, which forms a relatively rigorous legal normative system. However, the operation of China's company law result in a disconnection between the statutory subject and the actual subject of corporate governance, and the as well as a disconnection between the distribution of statutory power and the actual power distribution^[1] of corporate governance. The powers of shareholders' meetings and boards of directors overlap, and the supervisory board is unable to exercise its statutory supervisory power, and the managerial layer, which is the end of the legal provisions, sometimes has abnormally large powers; in the case that the shareholders of the limited liability company do not participate in the company's operation and management, there is also a phenomenon in which the shareholders' meeting (the major shareholders) has been gradually overridden by the board of directors.

In the practice of corporate operation, the corporate governance model centered on the shareholders' meetings is relatively common, and has even evolved into a governance model centered on the majority shareholders. There are also corporate governance models centered on the board of directors or the management layer, or corporate governance models that fall into any of the aforementioned

situations. Overall, there is a serious disconnect between the legal norms of corporations in China and their actual operation.

On the mode of corporate governance in China, there are advocates for the shareholders' meeting centrism, there are scholars board of directors centrism, indisputable.^[2]This article analyzes this issue based on China's actual situation.

2. REASONS FOR THE DESIRABILITY OF ADOPTING SHAREHOLDERS' MEETING CENTRISM FOR CORPORATE GOVERNANCE IN CHINA

From the perspective of the overall historical process of corporate development, corporate governance generally develops from shareholder-centrism to board-centrism. From the perspective of achieving the value objectives of corporate operations, there is no difference between shareholder-centeredness, board-centeredness, and even manager-centeredness, only whether they fit the needs of corporate governance: for a certain country, whether to adopt shareholder-centeredness or board-centeredness should be determined based on the country's economic conditions, historical and cultural social factors, as well as the country's corporate operations and specific corporate governance needs. This article believes that we should base ourselves on the characteristics of China's market economy, the characteristics of corporate equity structure, historical and cultural traditions, and other comprehensive conditions, and determine my country's corporate governance model in accordance with China's economic development and the actual needs of corporate governance, to determine China's corporate governance model.

2.1. The Highly Concentrated Corporate Shareholding Structure Prevailing in China Gives Majority Shareholders the Advantage of a Legal Position in the Configuration of Corporate Power

“The ownership structure determines the ownership of power within the company (Jensen and Warner, 1988) and also determines the distribution of corporate interests (Grossman and Hert, 1988). Therefore, at the enterprise level, the ownership structure is the logical starting point of corporate governance issues (Becht, Bolton and Ruell, 2003).”^[3] With regard to the composition of the total number of companies, China's companies are roughly composed of state-owned companies and private companies. Among them: Regarding the former, based on the special status of state-owned companies in China's national economy, state-owned enterprises, especially state-owned listed companies, in order to achieve control over state-owned companies, the SASAC system or state-owned enterprise legal entities as the major shareholders of state-owned companies have formed a "dominant share" status that has hardly changed. This is a unique institutional arrangement to keep state-owned property firmly in the hands of the state; Regarding the latter, due to the lack of legal protection for investors and other reasons, the major shareholders of private companies have always been cautious about the overall market environment outside the company and the internal governance of the company. They dare not hand over the "basket with their own eggs" to others. They often use their status as major shareholders to firmly grasp their voice in the shareholders' meeting and control over the company. The characteristics of the "dominant share" equity structure are very obvious. Therefore, China's highly concentrated equity structure is not only the institutional arrangement of the state for the special status of state-owned companies in the national economy, but also the full consideration of investment security by shareholders of private companies. It is not only due to the history of state-owned enterprise reform, but also due to investors' disapproval of the reality of the investment market. "Burkart et al. (2003) found that if the external legal system cannot provide good legal protection for investors' rights, investors expect that they will be more likely to be exploited by managers when listed in these countries. For the more common moral hazard of managers, shareholders will strengthen supervision of managers through concentrated equity. ... China is an

emerging market country and also faces the problem of insufficient legal protection of investors' rights (Allen et al., 2005). As a natural response to the insufficient legal protection of investors, many non-state-owned listed companies in China have also chosen "one dominant shareholder." [4]

2.2. The Company's Major Shareholders are Taking Advantage of Their Legal Status to Firmly Grasp Control of the Company.

Deeply influenced by the idea of "nepotism" in China's traditional culture, major shareholders of companies place their own representatives in the board of directors, supervisory board, and management level through the legal form of shareholder elections, so that the shareholder meeting an almost irresistible power core in the corporate governance structure of "three meetings and one layer". Therefore, what we usually call my country's shareholder meeting-centrism is more appropriately called "major shareholder-centrism" in many cases.

Traditional China is a typical society of favoritism. Despite the 40 years of development of China's market economy, this idea still has an important impact on the company's personnel system today. In actual operation, "nepotism" comes more from the formation of a relatively fixed social circle of family, classmates, and fellow villagers, just like the "differential pattern" of Chinese rural society described by Mr. Fei Xiaotong, "with "self" as the center, like a stone thrown into the water, the social relationship formed with others, ..., but like the ripples of water, retreating in circles, the farther they push, the thinner they push. Here we encounter the basic characteristics of China's social structure."

[5] Based on their advantageous legal status, the company's major shareholders make full use of their social relations and appoint the spokespersons of the company's board of directors, board of supervisors and other company institutions in a "legal" form, forming a real corporate governance with the shareholders' meeting (major shareholders) as the power center.

2.3. Consequences of China's Company Law Deviating from Shareholders' Meeting-Centrism

The highly concentrated equity structure and the large shareholders' firm control of the company are mutually reinforcing and are based on the reality of China's economic and social development. There is no doubt that China has made remarkable achievements since the implementation of reform and opening up in 1978, especially in the development of China's socialist market economy, from a traditional agricultural country with thousands of years of history to a modern economic power with a socialist market economy system that has begun to take shape and is quite mature. However, in the process of development, there are some stages of economic development or stages that are maturing that cannot be crossed. For example, the highly concentrated equity structure that is prevalent in China is widely present, whether in limited liability companies or joint-stock companies, whether in start-up small companies or in listed companies with quite mature development. Due to the development of the market environment, the legal protection of investors, the attractiveness of the market investment environment, and the trust of future investors in the market environment and legal protection, there are still certain limitations and even disadvantages. It takes a process for these conditions and factors to gradually mature. This is an inevitable process of continuous improvement and continuous maturity. This process cannot be replaced or skipped by means of forcing things to grow, such as mandatory legal provisions. "The concentrated equity structure is an alternative mechanism arrangement when the law does not provide adequate protection for investors; at the same time, the change from concentrated to dispersed equity structure is also a slow development process. In this sense, major shareholders will continue to exist in Chinese listed companies for a long time. Therefore, taking effective measures to maximize the positive role of major shareholders and restrain their improper behavior is of great practical significance to the development of Chinese listed companies, the capital market and even the entire macro-economy." The implementation of the Company Law [6] since its promulgation in 1993 shows [that the serious disconnect between company legal norms and actual implementation is, to a certain extent, caused by the failure of China's company

legislation to fully clarify the centralism of shareholders. In the provisions of the Company Law, we have stipulated the powers of the shareholders' meeting and the powers of the board of directors, and clarified the scope of authority of both. However, in the actual operation of companies, due to various factors such as China's overall investment environment, the objective existence of the centralism of shareholders' meetings has been promoted. The shareholders' meeting (major shareholders) exercise the management rights of the company by serving as the chairman of the board or by "electing" spokespersons in a formally legal manner, replacing the board of directors in exercising the powers. The board of directors has no autonomy and has become the executor of the decision-making power and management power of the shareholders' meeting (major shareholders). Rather than avoiding this fact in legislation, we might as well allow major shareholders to exercise the powers of the board of directors (meeting) under certain conditions, and at the same time bear corresponding legal responsibilities for the management powers they exercise, so as to solve the problem of the disconnect between the actual exercise of board powers by major shareholders and the responsibility for exercising the powers borne by nominal directors.

3. MAIN CONTRADICTIONS AND CHARACTERISTICS OF CORPORATE GOVERNANCE IN MY COUNTRY

3.1. The Main Contradictions in Corporate Governance in China

Judging from the overall equity distribution in my country, the main contradiction in corporate governance in my country is between the major shareholders and the middle class.

Conflicts between small shareholders. As mentioned above, the equity structure of Chinese companies is generally highly concentrated: 1. In limited liability companies, the human nature is relatively strong, and it is common for major shareholders to control shareholders through a high proportion of equity. Major shareholders often serve as chairman or even general manager; 2. In joint-stock companies (including listed companies), the phenomenon of major shareholders (including controlling shareholders) controlling companies through equity is also common. "The typical feature of the equity structure of Chinese listed companies is high concentration. In fact, when it comes to Chinese listed companies, Chinese corporate governance, and Chinese capital markets, the first thing that comes to mind is probably major shareholders. Since the establishment of China's capital market, the dominance of major shareholders has been criticized and is considered to be the root cause of many problems in China's listed companies and capital markets." [7]"Under the dominant position of the equity concentration model, the conflicts and contradictions between controlling shareholders and small and medium shareholders are the main problems facing corporate governance in China. What company law should focus on and study are the conflicts and contradictions between shareholders, especially between major shareholders and small and medium shareholders, and between controlling shareholders and other shareholders. It should explore practical legal ways and operational plans to regulate the exercise of power by controlling shareholders, prevent and curb their abuse of power (especially the abuse of voting rights), and effectively protect the legitimate rights of small and medium shareholders. Corporate governance without controlling shareholders is illusory and unreal. Any corporate governance system design that ignores controlling shareholders may go astray and be futile. At least in the near future and for a long time to come, controlling shareholders in corporate governance and their legal regulation should be the most theoretically significant and practical research topics in corporate governance." [8] In particular, the squeezing of small and medium shareholders by major shareholders of limited liability companies in China, and the grabbing of corporate interests and infringement of the rights of small and medium shareholders by major shareholders, controlling shareholders, and actual controllers of joint-stock companies, especially listed companies, should arouse the full attention of company law researchers. In addition, family businesses occupy an absolute majority proportion among private enterprises in China, and the interest groups formed by family members in family businesses have an absolute advantage over

small and medium-sized shareholders who are not members of family businesses. This should attract the full attention of corporate law scholars.

3.2. Characteristics of China's Corporate Governance

3.2.1. Family-owned Companies in China Represent the Private Sector in China by an Absolute Percentage

Private enterprises in China account for the vast majority of all enterprises in China, and family-owned enterprises account for the vast majority of all private enterprises in China, and family-owned enterprises account for the vast majority of all enterprises in the world. " According to a survey in 2016, the proportion of family-owned enterprises in China's private enterprises has reached 80% . Experts have calculated that the proportion of family businesses in all private enterprises listed on the A-share market increased from 48.9% in 2016 to 55.7% in 2017. American scholar Klin Gelsey believes that even according to the most conservative estimates, family-owned or operated enterprises account for between 65% and 80% of enterprises in the world, and 40% of the world's top 500 companies are owned or operated by families. The 2018 National Private Enterprise Questionnaire Survey found that family businesses are an important part of the real economy. More than 80% of family businesses are in industries dominated by the real economy, and 29% of family businesses are mainly engaged in traditional manufacturing. PwC's 2018 China Family Business Survey Report pointed out that 87% of family businesses in mainland China are committed to fulfilling their social responsibilities (higher than the international average of 77%). According to the above survey, although it is difficult to estimate the specific data and contribution of family businesses, it is certain that the number of family businesses is huge, and there is a high degree of consistency between private enterprises and family businesses or enterprises with family business characteristics . " ^[9]"According to the data of the biennial national sampling survey of private enterprises (2010) conducted by the United Front Work Department of the CPC Central Committee and the All-China Federation of Industry and Commerce, the China Private Economy Research Association, and the State Administration for Industry and Commerce, among the 3,847 private enterprises with equity information, the proportion of family-owned enterprises reached 85.4% . In the competitive industries that were opened to private capital earlier, the proportion of family-owned enterprises exceeded 80%. ... In other words, family-owned enterprises and so-called private enterprises are fundamentally the same. The contribution of private enterprises in promoting common prosperity is approximately equal to that of family-owned enterprises." ^[10]Private enterprises in China not only account for an absolute advantage in the total number of enterprises in China, but also have made great contributions to the development of China's national economy. Therefore, in-depth research on the main issues of family-owned corporate governance in China and attention to the cultural characteristics of family-owned enterprises in China are undoubtedly of great significance to solving the main contradictions in corporate governance in China and developing private enterprises in China more effectively.

3.2.2. The Great Role of Family-owned Companies in My Country's Economic Development

(1) The positive role of family-owned companies in my country's economic development

Since the beginning of reform and opening up, my country has seen the emergence and growth of private small and micro enterprises and individual industrial and commercial households. Most of these commercial entities have developed from the initial family property investment, family member decision-making, and human resource combination dominated by family members. They use the "patriarchal" decision-making method with family member meetings as the deliberative mechanism to decide major issues in the company's operation and development. In the process of gradually developing from small and micro commercial entities to limited liability companies or joint-stock companies or even listed companies, this family authority decision-making system in the form of "patriarchy" has played a decisive role in the company's development. At this stage, the company's

control rights controlled by important family members have integrated various resource factors such as the company's strategic direction, financing, and business management into a huge synergy in development, and at the same time created a corporate governance model with a strong traditional color of "one share dominates" and "one body dominates the world" in corporate governance.

(2) The negative impact of family-owned companies on my country's economic development

When family-type companies develop to a certain extent or a considerable scale, the drawbacks of the traditional corporate governance model of "one share dominates" and "one body dominates the world" in corporate governance are increasingly exposed and seriously restrict the company's development to a higher level. First, the Confucian cultural concepts of family-type companies are in great conflict with the modern corporate governance concepts. Traditional family-type companies were born out of small workshops in the old society and formed in the spring breeze of China's reform and opening up and the construction of a socialist market economy. The traditional concept of family and company integration is deeply rooted: the company belongs to the family, lacking the modern company limited liability concept and the awareness and concept of distinguishing between the company and shareholders in terms of subject and responsibility. Secondly, the spiritual guidance of family-type companies is "patriarchy", which is in serious conflict with the equity democracy advocated by modern company law. The lack of the concept of protecting the rights of small shareholders is likely to cause the squeeze on the personality and rights of small shareholders. Finally, family-type companies have great limitations in the transfer and inheritance of corporate control. The control of the company represented by the actual controller and major shareholder is not only power, but also related to the property security of the entire family. Therefore, this control is "passed on within the family but not outside". It can only be handed over within the family members to ensure the safety of family property, power inheritance, and family values. However, this intergenerational inheritance often leads to a lack of talent supply within the family, or even a lack of successors. This is obviously because the reproducibility of excellent talents within the family of family-type companies is greatly limited. Even so, it is difficult for family businesses to hand over the control of the company to excellent talents outside the family, because such "outsiders" will at least make them feel uneasy, even if the company develops well under the leadership of "outsiders", because from the perspective of the long-term development of family businesses, it is uncertain whether it will be good or bad. In addition, since family-type companies expect the company to be passed on from generation to generation as an important family property, they usually will not take the initiative to transfer equity. At the same time, family-type companies are very vigilant against external investors, fearing that external investors will dilute their equity through investment or impact the family's equity advantage and family authority. These two are important reasons for the poor equity liquidity of major shareholders of family-type companies. Obviously, the inherent conservatism and exclusiveness of family-owned companies severely restrict their development.

4. THE BASIS OF SHAREHOLDER-CENTERED CORPORATE GOVERNANCE IN MY COUNTRY AND RELATED LEGISLATIVE SUGGESTIONS

4.1. The Basis of Shareholder-Centered Corporate Governance in my country

The shareholder-centrism of corporate governance in my country is mainly due to the actual situation of my country's overall development and national conditions.

Decisions include:

4.1.1. The Improvement and Development of My Country's Overall Market Environment and Legal Protection Requires an Objective Process.

(1) The development and maturity of my country's market environment and legal protection objectively require a process.

The current situation of highly concentrated equity in my country is unlikely to change in the short term. This has been discussed before. "In the case of an imperfect or missing external institutional environment, the business activities of enterprises cannot be effectively protected and supported, and they also face higher risks and uncertainties. ... At this time, the governance of family businesses will rely more on family members and external relationship networks to obtain and allocate resources, and personalized governance may be a more effective means."^[11]

(2) my country's highly concentrated equity structure determines its shareholder-centric corporate governance model.

It should be emphasized that although Berle and Means discussed in detail the transfer of control from owners to managers in their book "The Modern Corporation and Private Property", the premise of this discussion is the separation of ownership and management rights formed by the relatively dispersed equity. In this case, a large number of small and medium shareholders have no time to supervise the management, which easily leads to the management becoming the power center of the company, forming the board-centrism in corporate governance. Obviously, the overall distribution of equity in my country is obviously not suitable for this situation. The direct consequence of the reality of highly concentrated equity in my country is that major shareholders strengthen their control over management, forming shareholder meetings (major shareholders) centrism with major shareholders as the power core. If the law forcibly restricts shareholders (major shareholders) from taking the above-mentioned "natural" methods to ensure the safety of their investments, at least two major consequences will occur: (1) For existing companies, shareholders (major shareholders) can only step up their control over corporate control through "formal legality" such as electing members of the board of directors and the board of supervisors. This is actually an important reason why China's corporate laws are out of touch with the actual operation of companies; (2) For investors who intend to invest in establishing a company and prepare to become major shareholders, such legal restrictions may cause them to give up investing due to concerns about the safety of their investment, or they may take risks after investing in the establishment of a company and develop into the aforementioned situation of achieving corporate control through legal forms.

From the perspective of historical development, the highly concentrated equity structure and shareholder-centeredness are mutually reinforcing and are an inevitable stage in the development of corporate governance in China. From the perspective of ensuring the safety of state-owned assets in the reform of state-owned enterprises through legislation, "the ultimate orientation of the localization elements of the 1993 Company Law is to ensure that the state's control over state-owned enterprises and the lifeline of the national economy will not be arbitrarily destroyed in the wave of drastic state-owned enterprise reform. Against this background, as the lifeline of corporate governance, the formation of the shareholder-centered corporate power allocation model is, on the one hand, subject to the actual national conditions of state-owned enterprise reform, and on the other hand, reflects the decisive influence of the deep-rooted state-centered ideology on China's early corporate governance."^[12]In the field of state-owned enterprises in China, this pattern has not changed much to date.

4.1.2. The Impact of Family-owned Companies on the Equity Structure of Chinese Companies

The family factors in China's family-type companies have slowed down the transition of China's equity structure from concentrated equity to dispersed equity to a certain extent. "The transplanted laws should not only reflect the advancement of the times, but also adapt to the actual national conditions and people's sentiments of the country and show adaptability to society. The localization

of laws should not only make the introduced laws coordinated with China's actual national conditions and people's sentiments, but more importantly, on the premise of maintaining the advancement of the introduced laws themselves, transform them into a form that suits the needs of China's actual society, so as to obtain the maximum social adjustment efficiency, and on this basis, grow new systems and principles." ^[13]If the introduction of the aforementioned "Company Law" in 1993 is in line with the actual national conditions of China's state-owned enterprise reform to ensure the safety of state-owned assets, then paying close attention to and deeply studying the characteristics of the family nature of China's private enterprises and forming regulatory legal provisions in corporate governance through legislation is an effective way for China's transplanted foreign company laws to coordinate with Chinese people's sentiments and make them suitable for China's actual social needs and truly grow into China's own company laws.

4.1.3. The Impact of My Country's Family-owned Companies on My Country's Corporate Governance Model.

To a large extent, family-owned companies in my country have further consolidated the shareholder-centeredness that has actually been formed in my country. A basic fact that is common in family-owned companies in my country is that the family authority is the actual controller of the company, and the core family members are the major shareholders of the company's shareholders' meeting to represent the interests of the family, forming a company power center supported by family authority. This power center first controls the company's shareholders' meeting, and through the shareholders' meeting, other family members are placed in important positions in the board of directors, supervisory board, and management level as much as possible according to the "legal" election procedures, thus forming a family interest group with the protection of family interests as the core, and the family's economic interests and family emotional values are firmly tied together. The process of power distribution among family members is also a process in which small shareholders who are not family members are suppressed or even "hunted". As family members, small shareholders can only be followers or ignored. The control of family-owned companies is extremely strong, which is in sharp contrast to the humbleness and helplessness of small shareholders. It can be seen that the highly concentrated ownership and management rights of family-owned companies, the control of the company by core family members, and the realization of the emotional value of family enterprises have further consolidated shareholder-centeredness in family-owned companies.

4.1.4. Obstacles to the Legalization of Family-owned Companies in My Country and the Need for Formal Institutions

The control of family-owned companies has an abnormally reinforcing effect on shareholder-centeredness, coupled with the traditional cultural background.

The legal effect of corporate legal norms has been seriously weakened, and to a certain extent, it has created a huge obstacle to the legalization of the actual operation of the company. "Family businesses are organizations based on blood relations and family control, and are mainly governed by differential authority associated with identity and status. The relationship solidarity established by personal relationships and blood relations excludes professional solidarity, which confuses the identity authority and relationship of the family business hierarchy. Therefore, it is impossible to exclude the "private" goals and behaviors of personal relationships, blood relations and solidarity from playing a role in the "public" field. This is destined to make family businesses, in addition to the goals, structure and system of formal organizations, also be deeply influenced by the informal power, culture and interests of the family. " ^[14]It is precisely because of this family factor that the legalization obstacles of family-type companies need to be prevented, resisted and corrected through formal external governance such as national policies, laws and regulations and formal internal governance such as public rules and regulations and public procedures within the company, so as to standardize and guide family-type companies towards the path of legalization. "In this sense, the introduction of a formal family governance mechanism is a formal governance or constraint on the informal relationship

network and identity authority of the family and the pan-family, using the “law” with universal significance rather than personalized status and interpersonal relationships to govern formal organizations. Because only under the constraints of this formal system can the substitution or negative impact of family privileges and private interests on the rational values of modern organizations be weakened or eliminated.”^[15]

4.2. Improvement of Legislation on the Replacement of the Board of Directors (Committee) by the Majority Shareholder of a Company in My Country to Manage the Company

When analyzing the situation in which most companies in my country have highly concentrated ownership and management rights due to equity concentration (especially a large number of family-owned companies) and very strong corporate control, the core role of shareholder-centrism, the actual controller and major shareholder, transcends the current statutory authority boundaries between the shareholders' meeting and the board of directors (directors) and directly exercises the power of managing the company on behalf of the board of directors (meeting). It is urgent to strengthen formal external governance and formal internal governance through laws to effectively regulate corporate control, ensure the correct exercise of corporate control, and effectively eliminate the negative effects of shareholder-centrism.

4.2.1. In Terms of Formal External Governance, Legislation Should Clarify the Management Rights and Corresponding Legal Responsibilities of Major Shareholders.

Appoint.

The law should not turn a blind eye to the current "illegal" behavior of major shareholders exercising the management power of the board of directors. Instead, it should clearly allow major shareholders to directly replace the board of directors in exercising all or part of the management power and bear the corresponding legal responsibilities, so as to change the current situation of "shareholders overstepping their authority in management and the chairman becoming a scapegoat". If the law allows major shareholders to directly replace the chairman in exercising management power under certain circumstances and assign corresponding legal responsibilities, the major shareholders will face the following choices: (1) directly replace the board of directors in exercising management power, but must be responsible for bearing the corresponding legal responsibilities. At this time, the major shareholders will undoubtedly be more cautious in the face of legal responsibilities; (2) comply with the legal provisions on the exercise of management power by the board of directors, let the board of directors exercise management power and bear the corresponding legal responsibilities, and the responsibilities have nothing to do with the major shareholders. The board of directors can boldly act in accordance with the law and improve the legal status and management efficiency of the board of directors. This can effectively regulate the exercise of control rights of family-type companies, effectively resist the legal barriers caused by family factors, and promote companies, especially family-type companies, to move towards the rule of law.

4.2.2. In Terms of the Company's Formal Internal Governance, a Strong Internal Supervision Body Should Be Established.

In view of the long-term weak supervision status of the board of supervisors and independent director systems in China, we should reform the existing supervisory bodies of companies, take a long-term view, and build a powerful new type of corporate supervisory body to effectively regulate the control of companies under the extremely powerful shareholder-centrism. "The important mission of corporate legislation is to rebuild and reconstruct the corporate supervision system. The basic direction and idea of reconstruction and reconstruction is first to clarify the objects of supervision and the power of supervision, and the ultimate goal of corporate supervision is to safeguard the interests of all shareholders."^[16] In the case that the board of supervisors and independent director systems in

China have been implemented for a long time but the effect is not good, we can consider merging the two and rebuilding the internal corporate supervision body suitable for China's corporate governance. (The author has another article specifically discussing this)

4.3. Diversified Development of Corporate Governance Models in My Country

Adhering to shareholder-centrism is not equivalent to the single model of corporate governance. On the contrary, adhering to shareholder-centrism is coordinated and corresponding to the diversification of corporate governance models.

4.3.1. Adhering to Shareholder-centrism Does Not Mean Letting Other Non-mainstream Companies' Operating Models Run Wild.

The centralism of shareholder meetings undoubtedly reflects the common phenomenon that shareholder meetings are the center of corporate power in my country.

The actual situation and institutional needs require us to focus on regulating this. However, my country has a vast territory, the economic development in the central and western regions is unbalanced, the cultural traditions (family culture) of various regions vary greatly, and the economy is in a state of development of high, medium and low levels. Therefore, in my country, there are not only a large number of shareholder-centered corporate governance models, but also a small number or individual board-centered or even manager-centered non-mainstream corporate governance models. For this non-mainstream corporate governance model, we obviously cannot use the shareholder-centered model to adjust it. This requires us to establish a diversified corporate governance model through legislation, so that it can not only adapt to the needs of the mainstream shareholder-centered corporate governance model, but also make the non-mainstream corporate governance model respected and protected by law, and effectively promote the legalization and diversified development of corporate governance.

4.3.2. Adherence to Shareholder-Centrism is Consistent with Effective Regulation of Corporate Control.

As a corporate governance model that adapts to the current economic development, equity structure and other actual conditions in my country, shareholder-centeredness should undoubtedly be protected by law. Because the control of companies under shareholder-centeredness is extremely strong, we need to effectively regulate it through legislation to prevent shareholder-centeredness from going to extremes and to prevent it from evolving into a tool for suppressing small and medium shareholders and large shareholders to exploit small and medium shareholders. This requires effective regulation of the power of large shareholders and controlling shareholders to ensure that the control of the company can not only correctly lead the company forward, but also promote equity democracy within the company in accordance with the law, fully respect and protect the legal status of small and medium shareholders, effectively enhance the internal cohesion of the company, and efficiently promote the process of legal development of the company.

4.4. Improvement of Legislation on Family-Owned Companies

As mentioned above, family-based companies are an important feature of private enterprises in my country. Due to the family-based nature of family-type companies, the control of Chinese companies is even stronger. At present, it is urgent to regulate and prevent the negative effects of family-based companies through legislation. To effectively regulate corporate control through legislation and realize the rule of law in corporate governance, it is inseparable from the legal adjustment of family-owned companies in legislation. In the case of family-type companies represented by major shareholders and assisted by other family members, the legislation and judiciary, as the public power of the state, have no reason to sit idly by and should impose timely and powerful legal sanctions on

the illegal and criminal acts of family forces "hunting" small and medium shareholders within the company.

5. CONCLUSION

In the face of China's company law norms and its specific implementation of the problem of disconnect, we should fully realize the development of China's market economy, the improvement of the investment environment, legal protection needs to be an inevitable and insurmountable process, face up to the existence of China's highly centralized shareholding structure of the actual situation, and based on the legislation through the construction of China's corporate governance model of shareholders' meeting centrism. China's corporate legislation should respect and support the investors, especially the majority of shareholders, the natural protection of their legitimate interests, and encourage them to actively invest in entrepreneurship; under the premise of adhering to the centrism of the shareholders' meeting, we should establish a diversified pattern of corporate governance mode under the centrism of the shareholders' meeting through legislation. Through internal and external corporate governance, the right of corporate control should be effectively regulated, and the behavior of large shareholders within the company, especially in family-type companies, that squeezes small and medium-sized shareholders and encroaches on the legitimate rights and interests of small and medium-sized shareholders should be effectively regulated by increasing the legal responsibility of large shareholders and establishing an effective internal oversight body to regulate the right of corporate control, among other legal means.

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