“Impact of corporate governance and ownership on business performance: A case study of Vietnam”

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IMPACT OF CORPORATE GOVERNANCE AND OWNERSHIP ON BUSINESS PERFORMANCE: A CASE STUDY OF VIETNAM

Abstract

The study is conducted to investigate the impact of corporate governance and ownership on business performance in listed firms on the Vietnamese Stock Exchange. The study employed the general regression method (GLS) with a sample of 506 listed firms in the period 2008–2020. The study demonstrated the impacts of corporate governance and ownership on firm performance. First, the size of the Board of Directors (BOD), state ownership, and foreign ownership have a positive impact on firm performance. On the contrary, the ratio of independent members in the BOD and the percentage of members of the BOD who are major shareholders have a negative impact on firm performance. An interesting finding is that the BOD with female members, the duality of director and chairman, and the ratio of independent members have a negative impact on the Board of Management. In contrast, firms with no female members in the BOD have a positive relationship with firm performance. The empirical results and recommendations in this study might be good instructions for firms to improve their firm performance.

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JEL Classification G30, G32, M41

INTRODUCTION

Corporate governance is a critical factor for promoting market efficiency and economic development as well as enhancing investor confidence. Corporate governance also establishes the structure through which the company's goals are formed, the means by which to achieve those goals are determined, and the effectiveness of their implementation is monitored. Effective corporate governance helps the company improve its reputation in the market, thereby having more access to external capital sources, helping businesses take advantage of effective investment opportunities, expand production scale, improve the business, and enhance competitiveness. In addition, the existence of an effective corporate governance system of a specific company and in the economy contributes to a level of trust that is fundamental to the functioning of a market economy. Therefore, corporate governance and ownership are important factors to create the business performance of firms. This study aims to demonstrate the relationships between corporate governance and ownership on the business performance of listed companies on the Vietnamese stock market. Corporate governance considers the characteristics of the BOD, including the size of the BOD, the duality of the director and the BOD, the ratio of independent members in the BOD, and the ratio of BOD members who are

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significant shareholders. Besides, the study assesses the impact of foreign ownership and state ownership on business performance. Between the two groups of companies with and without female members of the BOD, the study also considers how corporate governance and ownership affect business performance.

1. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

According to agency theory and stewardship theory, the core role of a corporate governance system is to reduce the problem of acute conflicts of interest, link shareholders' interests with managers' interests, align management objectives with those of stakeholders, and thereby maximize firms' value. Studies on the impact of corporate governance on the BOM through a number of factors representing corporate governance often focus on factors belonging to specific groups. Firstly, these factors comprise the characteristics of the BOD and the second one is the ownership structure, including foreign ownership and state ownership, according to Shukeri et al. (2012).

According to Jensen (1993), there is a relation between the characteristics of the BOD and BOM. The characteristics of the BOD are expressed through many different criteria such as the size of the BOD, the ratio of the independent BOD members who are not participating in management to the total number of members of the BOD, the percentage of females participating in the BOD, the dual positions of CEO and chairperson of the BOD; or the ownership percentage of major shareholders who are members of the BOD. According to previous studies, there are many related conclusions between corporate governance and business performance. For example, Claessens and Fan (2002) concluded that effective corporate governance would enhance the possibility of mobilizing outside capital for the companies; thus, the capital costs will be reduced, and the operational efficiency will be higher. Bhagat and Bolton (2008) again showed a negative relation between the factor of directors being board members and the efficiency of the BOD. According to the study, weak businesses tend to appoint directors as BOD members, but the business performance is not improved. Yermack (1996) suggested that the fewer BOD members, the better the business performance. Thus, it can be seen that corporate governance correlates with business performance. Based on the theoretical basis and research overview, this study examines the characteristics of the board of directors in the following factors: the size of the Board of Directors; the duality of the CEO/Chairman of the BOD; the number of independent members in the BOD; and the ratio of members of the BOD who are major shareholders.

Anderson et al. (2004) suggested that the number of people on the BOD plays a vital role in its monitoring and management. The number of people in the BOD is positively correlated with access to external financial resources. A BOD with diverse experience and knowledge in many fields is a crucial business growth engine. Yermack (1996) studied a sample of 452 large U.S. economic groups from 1984 to 1991. It was found that there is a negative correlation between the number of people in the BOD and business performance. Coles et al. (2008) showed that the BOM of the company increases with the size of the BOD in large companies.

In addition, Jackling and Johl (2009) found that the number of people in the BOD is positively related to the BOM of firms in India. However, Mak and Kusnadi (2005) showed a negative correlation between the number of people in the BOD and firm value, as measured by the Tobin ratio with a sample of firms in Malaysia and Singapore. Accordingly, when the size of the BOD increases, the business performance tends to decrease. Moreover, the larger the number of members of the BOD, the less the possibility of linkage between the BOD members, thus making decision-making and coordination between members ineffective. In addition, companies with fewer BOD members are more likely to be influenced by the CEO.

The issue of duality shortens the decision-making process, helping the company take advantage of business opportunities in a rapidly changing business environment. However, quick decision-making can lead to non-optimal results. For example, the CEO/Chairman of the BOD may have more control over the company's operations or there is a centralized power issue that leads to a decrease in the value of the company in the long run. The collapses of the technology bubble Enron and Worldcom are typical examples of how having CEO/Chairman of the BOD leads to the centralization of decision power in the concurrent person, thereby creating many opportunities to manipulate the transactions of the BOD for personal gain.

Studies to examine the effects of concurrent positions of CEO and Chairman of the BOD on corporate performance have yielded mixed results. Boyd (1995) suggested that the impact of the role of CEO/Chairman of the BOD depends heavily on the operating environment of the business. A negative relationship between the role of CEO/Chairman of the BOD on business performance was found by Haniffa and Hudaib (2006) with a sample of Malaysian companies, Chen et al. (2005) in Hong Kong, and Bhagat and Bolton (2008) in the U.S.

The independent BOD member plays an important role in overseeing the company's management team. A large number of independent BOD members can attract investors to the company (Muniandy & Hillier, 2015). Many previous studies have shown different correlations between the number of independent members of the BOD and the company's business performance. For example, Agrawal and Knoeber (1996) found that the number of independent BOD members of the company has a negative relation with the firm value through the calculation of Tobin's Q ratio with a sample of companies in the USA. In contrast, for the data sample of Indian firms, Jackling and Johl (2009) found that independent BOD members positively correlate with business performance. For Malaysian companies, Haniffa and Hudaib (2006) showed that independent members of the BOD do not affect business performance. In this study, it is expected that the number of independent members of the BOD will boost business performance.

The separation of ownership and management rights has provided opportunities for managers to make self-interested decisions that lead to conflicts of interest, affecting business performance. Agrawal and Knoeber (1996) and Nguyen (2011) suggested that a centralized ownership structure can increase oversight and improve corporate performance. However, Wiwattanakantang (2001) found that this structure positively correlates with performance. In addition, Prowse (1992) studied the firms in Japan and did not find a correlation between centralized ownership structure and business performance. Mak and Kusnadi (2005) reported a similar result for firms in Malaysia and Singapore.

The ownership structure of the company will reflect the decisions of existing and potential shareholders; it is governed by their profit maximization interests. Accordingly, there may be no correlation between the change of ownership structure and the change in the business operation. However, empirical studies have shown different results on the correlation between ownership structure and the company's operating system. As for ownership structure, it primarily refers to state ownership, foreign ownership, board of directors' ownership, ownership of the BOD members. However, the state ownership factor depends on specific characteristics of each country. This study considers ownership structure to include two items: foreign ownership and state ownership.

The foreign ownership ratio also affects firm performance. When foreign investors are allowed to own equity in domestic companies, the company's business performance will improve as foreign investors become more involved and responsible in the company's activities. Ongore (2011) analyzed the impact of different types of ownership on the business performance of firms in Kenya. Koo and Maeng (2006) researched Korean manufacturing firms, and Nguyen et al. (2020) studied listed firms in Vietnam. These studies confirmed that foreign ownership has a positive effect on business performance. Park (1995) showed a non-linear relationship between foreign ownership and business performance as measured by Tobin's Q. Good impacts on business performance can come from appointing foreigners as members of the BOD. For example, when investors from other countries are appointed to the audit committee members, those members bring distinctive culture, value diversification, and rich ideas that create various changes in the company's ethical business practices and internal control.

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It is evidenced that the state ownership ratio affects firm performance. State ownership is essentially the ownership of the whole people because the state is the representative of the owner. There must always be a representative for the state capital in a joint-stock company. Here, the problem of representation arises when the representative of the state capital pursues personal goals, which in some cases are contradictory to the interests of the government. The relation between ownership structure and business performance with different research methods and scopes leads to different results in different countries. For example, Capobianco and Christiansen (2011) and Shleifer (1998) presented the negative effect of state ownership on corporate business performance. Meanwhile, Firth et al. (2007) in China showed that state ownership also has a positive impact on a company's business performance and helps it raise capital easily from bank loans.

Although many studies analyzed the relationship between corporate governance, structure ownership, and business performance, there is a research gap about Vietnamese firms. To fill this gap, this study aims to find out the effect of corporate governance and structure ownership on the business performance of listed firms in Vietnam with GLS method. Based on the above research overview, there are six hypotheses developed in this study:

H1: *The size of the board of directors has a positive correlation with firm performance.*

H2: *The duality of CEO/Chairman of the board of directors has a negative relation with firm performance.*

H3: *The ratio of the number of independent members of the board of directors has a relation to firm performance.*

H4: *The ratio of members of the board of directors who are major shareholders has a relation to firm performance.*

H5: *Foreign ownership has a positive relation to firm performance.*

H6: *State ownership has a positive relation to firm performance.*

To test the hypotheses in the study, some control variables are also considered. These variables control specific characteristics such as firm size and financial leverage that can affect business performance; they have been proved to be influential in previous studies such as Dang et al. (2018), Ha et al. (2019), Van et al. (2019), Dang et al. (2021), Dang et al. (2020), and Nguyen et al. (2021).

2. RESEARCH METHODOLOGY

Based on the literature review, research hypotheses, and objectives mentioned above, the models are built as follows:

Model 1:

$$\begin{aligned} ROA_{i,t} &= \beta_0 + \beta_1 BD\_SIZE_{i,t} + \\ &+ \beta_2 CEO\_DUAL_{i,t} + \beta_3 BD\_IND_{i,t} + \\ &+ \beta_4 OWN\_BD_{i,t} + \alpha_1 SIZE_{i,t} + \alpha_2 LV_{i,t} + \varepsilon_{i,t}. \end{aligned} \tag{1}$$

Model 2:

$$\begin{aligned} ROA_{i,t} &= \beta_0 + \beta_1 BD\_SIZE_{i,t} + \\ &+ \beta_2 CEO\_DUAL_{i,t} + \beta_3 BD\_IND_{i,t} + \\ &+ \beta_4 OWN\_BD_{i,t} + \beta_5 OWNFOR_{,t} + \\ &+ \beta_6 OWNSTA_{i,t} + \alpha_1 SIZE_{i,t} + \alpha_2 LV_{i,t} + \varepsilon_{i,t.} \end{aligned} \tag{2}$$

The variables are briefly described in Table 1.

To examine the influence of corporate governance and ownership on firm performance, the study collected a survey sample of 506 listed firms on the Vietnamese Stock Exchange from 2008 to 2020 in different industries. With the unbalanced data, there are 6.592 observations have been collected in the financial statements of listed firms and Vietnamese stock data sets and compiled from data sources published on several reputable securities websites. The initial data are aggregated and recalculated correctly to determine variables; some variables are regressed through Stata 14 software. The paper used the GLS method because this method would overcome some limitations such as variable variance, multicollinearity, and autocorrelation.

Table 1. Summary of variables in the research model

Variable name	Variable code	Measurement method	Impact direction
Business performance	ROA	Profit after tax/Total assets	
Size of BOD	BD_SIZE	Total number of BOD members	+
Duality of the CEO/Chairman of the BOD	CEO_DUAL	CD = 1, if the CEO is also the BOD Chairman, or 0 otherwise	–
Independence of the BOD	BD_IND	Number of independent members / Total BOD members	+/–
Ratio of BOD members who are major shareholders	OWN_BD	Percentage of members of the BOD who are major shareholders	+/–
Foreign ownership ratio	OWNFOR	Percentage of foreign shares held	+
State ownership ratio	OWNSTA	Ratio of shares held by the government	+
Firm size	SIZE	Log(Total Assets)	+
Financial leverage	LV	Liabilities/Total Assets	–

3. FINDINGS

Table 2 presents descriptive statistics of variables used in the study, including mean, standard deviation, and minimum and maximum values. The results show that the business performance (measured by profit after tax on total assets – ROA) has an average value of 6%, with a mean standard deviation of 8.2%. For the size of the BOD (BD_SIZE), the mean value of the BOD size is 5.436, with min and max values of 3 and 18, respectively. Companies with CEO/Chairman of the BOD (CEO_DUAL) account for 21.5%, the average rate of independent members (BD_IND) is 31.9%, and the major shareholders' BOD members account for 11.5%. Meanwhile, the rate of foreign ownership of companies in Vietnam is at an average low level of only 9.2%. Besides, the state ownership ratio of enterprises is 24%, the firm size measured at net asset value after the logarithm is 27.150, and the average financial leverage is 49.3%.

Table 3 presents the relation between the variables in the model, reflected through the correlation matrix. Six independent variables reflect the ownership structure and the characteristics of the BOD, including BD_SIZE – size of the BOD, CEO_DUAL – duality of the CEO; BD_IND – independence of the BOD, OWN_BD – major shareholder ownership, OWNFOR – foreign ownership ratio, and OWNSTA – state ownership ratio. They are all correlated and statistically significant with the dependent variable of business performance (ROA) because Sig values are all < 0.05. Variables that negatively relate to business performance are the duality of the CEO/Chairman of the BOD and the ratio of BOD members who are major shareholders. In contrast, the remaining 4 independent variables are positively correlated. In addition, other financial control variables of the company used in the research model, such as firm size and financial leverage, are negatively and significantly correlated with the dependent variable. The correlation coefficients between the independent var-

Table 2. Descriptive statistics of variables

Variables	Obs	Mean	Std. Dev.	Min	Max
ROA	6.592	0.060	0.082	–1.693	0.784
BD_SIZE	6.592	5.436	1.390	3	18
CEO_DUAL	6.592	0.215	0.411	0	1
BD_IND	6.592	0.319	0.174	0	1
OWN_BD	6.592	0.115	0.172	0	0.833
OWNFOR	6.592	0.092	0.134	0	0.95
OWNSTA	6.592	0.245	0.250	0	0.97
SIZE	6.592	27.150	1.532	23.220	33.677
LV	6.592	0.493	0.223	0.001	2.031

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Table 3. Correlation matrix

Variables	ROA	BD_SIZE	CEO_DUAL	BD_IND	OWN_BD	OWNFOR	OWNSTA	SIZE	LV
ROA	1								
BD_SIZE	0.0897*	1							
CEO_DUAL	−0.0541*	−0.0772*	1						
BD_IND	0.0424*	0.1727*	−0.3035*	1					
OWN_BD	−0.1074*	−0.1084*	0.2142*	−0.2174*	1				
OWNFOR	0.1656*	0.3383*	−0.0061	0.0777*	−0.1254*	1			
OWNSTA	0.1052*	−0.0897*	−0.2322*	−0.0211	−0.3494*	−0.1413*	1		
SIZE	−0.0484*	0.2776*	−0.0341*	0.0353*	−0.1399*	0.2989*	−0.0293*		
LV	−0.3886*	−0.0271*	0.0144	−0.1448*	0.0729*	−0.1806*	0.0753*	0.3236*	1

Note: *t* statistics in brackets * $p < 0.05$.

iables in the model are all less than 0.6, so there is a slight possibility of multicollinearity.

To test the direct impact of corporate governance on business performance, according to the regression model No 1 (Table 4), the variable number of board members (BD_SIZE) is positively related and is statistically significant at the 1% level, so *H1* is accepted. The results of this study agree with those of Coles et al. (2008). Meanwhile, the variables duality of the CEO/Chairman of the BOD (CEO_DUAL), independent board member (BD_IND), and percentage of BOD members who are major shareholders (OWN_BD) have a negative impact on business performance at the 1% significance level. These results show that *H2*, *H3*, and *H4* are accepted.

In Model 2, the study considered the impact of foreign ownership and state ownership on business performance. The results show that when adding two ownership variables to the research model, only 2 out of 4 variables related to corporate governance affect the business performance of enterprises: the size of the BOD has a positive relation, and the ratio of independent members of the BOD has a negative relation. The foreign and domestic ownership ratio all have a positive impact and are statistically significant at 1%. Thus, *H5* and *H6* are accepted.

Table 4. Regression results

Variables	Model 1	Model 2
BD_SIZE	0.00366***	0.00327***
	[5.18]	[4.53]
CEO_DUAL	−0.00897***	−0.00355
	[−3.75]	[−1.47]
BD_IND	−0.0270***	−0.0178***
	[−4.70]	[−3.10]
OWN_BD	−0.0314***	−0.00426
	[−5.56]	[−0.71]
OWNFOR		0.0509***
		[6.51]
OWNSTA		0.0479***
		[11.65]
SIZE	0.00311***	0.00243***
	[4.60]	[3.47]
LV	−0.151***	−0.149***
	[−33.59]	[−32.06]
_cons	0.0539***	0.0460**
	[3.08]	[2.50]
N	6592	6592

Note: *t* statistics in brackets * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table 5. Regression results considering the role of female members in the BOD

Variables	Full sample	Model 1		Full sample	Model 2	
		GENT=0	GENT=1		GENT=0	GENT=1
BD_SIZE	0.00366***	0.00395***	0.00361***	0.00327***	0.00385***	0.00324***
	[5.18]	[3.23]	[4.04]	[4.53]	[3.15]	[3.52]
CEO_DUAL	–0.00897***	0.00886***	–0.0210***	–0.00355	0.0154***	–0.0164***
	[–3.75]	[2.66]	[–6.29]	[–1.47]	[4.54]	[–4.89]
BD_IND	–0.0270***	0.00587	–0.0547***	–0.0178***	0.0128*	–0.0443***
	[–4.70]	[0.79]	[–6.39]	[–3.10]	[1.74]	[–5.19]
OWN_BD	–0.0314***	–0.0282***	–0.0369***	–0.00426	–0.00275	–0.00916
	[–5.56]	[–3.74]	[–4.49]	[–0.71]	[-0.35]	[–1.05]
OWNFOR				0.0509***	0.0623***	0.0398***
				[6.51]	[5.52]	[3.69]
OWNSTA				0.0479***	0.0501***	0.0497***
				[11.65]	[9.39]	[8.15]
SIZE	0.00311***	0.00332***	0.00315***	0.00243***	0.00164	0.00316***
	[4.60]	[3.38]	[3.43]	[3.47]	[1.59]	[3.31]
LV	–0.151***	–0.151***	–0.148***	–0.149***	–0.150***	–0.145***
	[–33.59]	[–25.51]	[–22.51]	[–32.06]	[–25.08]	[–21.13]
_cons	0.0539***	0.022	0.0730***	0.0460**	0.0397	0.0467*
	[3.08]	[0.88]	[3.05]	[2.50]	[1.49]	[1.86]
N	6592	2910	3682	6592	2910	3682

Note: *t* statistics in brackets * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

For control variables, firm size has a positive regression result and is a statistically significant regression at 1% regarding business performance. This result is consistent with Van et al. (2019). Meanwhile, financial leverage negatively relates to business performance and is statistically significant at 1%.

To examine how gender diversity in the BOD affects business performance, the study considered that: for companies with female participation in the BOD, the GENT variable takes the value = 1; otherwise, it is equal to 0. In Table 5, the paper performed regression with model 1 and model 2 with two survey samples of GENT value = 1 and GENT value = 0. The results show that, for the variable duality of CEO/Chairman of the BOD, in companies without female participation, the variable CEO_DUAL positively affects business performance, whereas, in enterprises having female participation in the BOD, the variable CEO_DUAL has a negative impact on business performance. Similarly, for the variable independent ratio of the BOD members, when there is no female member in the BOD, there is a positive impact on the business performance of the companies and vice versa.

Considering *H4*, the higher the percentage of members of the BOD who are major shareholders, the worse the business performance. If the percentage of people in the BOD holds the majority of control in an enterprise, the management and business decisions are centralized and highly unified. When there is management power, sometimes shareholders make self-interested decisions, leading to conflicts of interest, so the higher the number of people with control, the greater the potential for conflicts of interest, and it will affect the business performance of the business. This result is similar to the results of Agrawal and Knoeber (1996) and Nguyen (2011).

This study also shows that the firm size has a positive impact on business performance. This result is consistent with those of Van et al. (2019). Based on Van et al. (2019), the large-scale firms in Vietnam often have advantages in terms of finance, organizational structure, and technological level so that they can easily change and innovate in fixed assets, machinery and equipment or apply management methods to improve the efficiency of asset, thereby improving the business performance of the firm. Besides, these results are similar to Nguyen (2016) and Dang et al. (2021) regarding the negative relation of financial leverage on business performance. This is said that the firms have a high debt ratio, making their financial independence low. The firms may have difficulty mobilizing investment capital for

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production or new investments and expanding production and business. Since then, the business performance of the firms may not be high.

4. DISCUSSION

With the results obtained, this study supports the view of Klein (1998) and Coles et al. (2008). However, it is opposite to the study of Yermack (1996): the larger the number of board members or the larger the size of the board, the greater the business performance of the enterprise. In Vietnam, the Board of Directors has from 03 to 11 members, and Vietnamese listed firms have a common number from 5 to 9 people. The more members of the board of directors in the firm, the more ideas and solutions in management and administration are offered. In addition, the decisions about the operation of the business that are evaluated and considered by many people will have higher certainty.

This study also evidences that the duality of CEO/Chairman of the Board of Directors can lead to a decrease in the effectiveness of the CEO's or the chairman's performance because one person has many tasks to perform, so they are distracted, they cannot focus on doing the main task well. In addition, duality can create a CEO with absolute power, lead to ineffective oversight by the board's management team, and lead to fraud in the management process, causing a lack of trust both internally and externally. This result agrees with those of Haniffa and Hudaib (2006), Chen et al. (2005), and Bhagat and Bolton (2008).

On the other hand, the presence of independent members in the BOD is expected to enable the BOD to make unbiased decisions that can cause conflicts of interest among shareholders of the company, protect small shareholders, creating a counterbalance to harmonize interests between groups of shareholders. However, this study shows that the more independent members, the lower the business performance. This may be because independent members tend to establish positions or please other members of the BOD and management, so independent members may only be interested in individual interests instead of protecting the interests of shareholders. Besides, independent members may improve the quality of monitoring; they may also lack adequate knowledge of company-specific information and leading to making suboptimal decisions. This result is similar to Agrawal and Knoeber (1996).

With Model 2, this study shows that the structure ownership includes state ownership and foreigner ownership having a positive effect on business performance. The results agree with the findings of Koo and Maeng (2006) and Firth et al. (2007). When there is investment from the state and foreign investors in Vietnamese listed firms, the pressure on information management, supervision, and transparency increases. When investors have a large enough ownership ratio, they can also participate in the corporate governance process with experience sharing, human resource training, advanced technology transfer, or expansion. The scope of influence on the consumption market helps the management and operation of the business to be more effective. The results of this study agree with the findings of Koo and Maeng (2006) and Firth et al. (2007).

Vietnam is one of the countries with many limitations in women's careers because they are dominated by family and gender discrimination in society. Therefore, they are limited in the scope of work and time to do. In addition, when women participate in the BOD, they may decrease their independence in making decisions and the power of supervising all activities of firms. Therefore, the direction of effect of the duality of CEO/Chairman of the Board of Directors on business performance also tends to be different in the firm with and without the participation of women in the BOD. This result is similar to Hoang and Vo (2014).

CONCLUSION AND RECOMMENDATIONS

With data collected from financial statements of listed firms on the Vietnamese Stock Exchange and the application of regression, this study shows the effects of corporate governance and ownership on business performance in Vietnamese listing companies. Specifically, the corporate governance is considered in four detailed factors: the BOD size, the duality of CEO/Chairman of the BOD, the ratio of independent members of the BOD, and the ratio of major shareholders in the BOD. There is a positive impact of the BOD size on business performance, and the remaining factors have a negative impact on business performance. Furthermore, when considering the impact of ownership on business performance, the result shows that state and foreign ownership ratios positively impact business performance. Finally, the presence of female members in the BOD of listed firms on the Vietnamese Stock Exchange shows a difference from the others. The results show that the duality and the ratio of female members in the BOD have a negative impact on business performance, while it is the contrary for the remaining companies without the female presence in the BOD. Some suggestions about corporate governance for listed companies on the Vietnamese Stock Exchange have been proposed from the above research results.

Based on research results, the paper proposes some instructive recommendations. Firstly, the firms with large BOD sizes should apply the theory of resource dependence in corporate governance or the BOD is one of the essential resources that affect the performance of other resources within the company. To do that, they should utilize the relationships and expertise of the BOD members to help enhance the company's financial performance. The firms should also increase the number of members of BOD to increase the control level in firms.

Secondly, the chairman of the BOD should not be CEO simultaneously. In case the firm has the duality of the CEO/chairman of the BOD, the firm needs to be very cautious and must clearly assign tasks and powers to each position. In particular, it is necessary to select female members in the BOD based on the member capacity, not because of the structure or regulations to meet the formal requirements.

Lastly, as study results show the positive impacts of state and foreign ownership ratio on business performance, the firms need strategies to attract foreign investors with financial potential and experiences in corporate governance to help them with effective production, business strategies, and activities. For companies with state ownership, it is necessary to review and conduct production and business activities according to regulations on corporate governance and market orientation and minimize administrative interference of the government in the company's production and business activities.

AUTHOR CONTRIBUTIONS

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