

## THESIS INFORMATION

Thesis title: The relationship between corporate governance and firm performance in Vietnam

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### 1. SUMMARY

The investigation into the relationship between corporate governance and firm performance in Vietnam was guided by four main goals: (1) To provide a more comprehensive interpretation of the business environment and propose a tailored scale relevant to Vietnam's diverse local and regional competitiveness; (2) To identify the characteristics of corporate governance and refine the existing corporate governance scale; (3) To explore the relationship between the business environment, corporate governance, and firm performance within the Vietnamese context; and (4) To offer managerial recommendations aimed at improving the business climate, making it more business-friendly, and assisting companies in developing strategies that enhance corporate governance and performance.

The study was grounded in two fundamental theories of corporate governance: Agency Theory and Resource Dependence Theory. It utilized secondary data, gathering information over a decade from 209 public firms listed on the Hanoi and Ho Chi Minh City stock exchanges. First, the study employed descriptive statistics to detail the research sample, assess the characteristics of the business environment, and evaluate corporate governance features. Second, it applied the GMM approach to analyze the research model and hypotheses, exploring the relationships between corporate governance, firm performance, and the business environment.

All four research hypotheses are supported. The results align with Agency Theory and Resource Dependence Theory, and are consistent with previous studies. This research's uniqueness and contribution lie in its ability to provide a new perspective on how the

business environment affects the relationship between corporate governance and performance. Specifically, it illustrates how the business environment across different administrative units (cities and provinces) within a country influences this relationship. The Vietnam Provincial Competitiveness Index (PCI) serves as a measure of the business climate.

The research findings suggest several management implications for researchers, companies, and government entities. For researchers, it is essential to consider how fundamental theories of corporate governance are approached, particularly when investigating the local business environment and its impact on corporate governance and performance. For companies, adhering to corporate governance regulations and implementing effective governance practices are vital for improving operational efficiency. For government agencies at the provincial and municipal levels, the focus should be on enhancing the business environment to attract investment and promote local economic growth and development. This can be achieved by improving the Provincial Competitiveness Index (PCI) and creating a more business-friendly atmosphere.

## **2. NOVELTY OF THESIS**

The study's findings suggest that the relationship between corporate governance and firm performance across different administrative units (provinces and cities) within a country is influenced by legal issues specifically, and the broader business environment in general. Utilizing Vietnam's Provincial Competitiveness Index (PCI), the study highlights the variations in business environments among these administrative units. The results indicate that the business environment (PCI) has a significant impact on both corporate governance and firm performance, directly affecting overall firm performance.

As a moderator, this implies that a province or city with a better business environment (indicated by a higher PCI) will weaken the relationship between corporate governance and firm performance. In such favorable conditions, the influence of corporate governance on firm performance is diminished. Conversely, in a province or city with a poorer business environment (reflected by a lower Provincial Competitiveness Index), this relationship becomes stronger, as corporate governance plays a more significant role in influencing firm performance in less favorable conditions.

The findings reveal a direct relationship between improved firm performance and cities or provinces with more favorable business climates (indicated by a higher Provincial Competitiveness Index). This study is relatively novel as it adopts a comprehensive approach to examining institutional (legal) issues and the broader business environment, considering these factors independently for each province and city in Vietnam.

While the research is focused on the Vietnamese context, it analyzes a diverse range of scenarios by comparing the business environments of 63 Vietnamese provinces and cities. Consequently, as emphasized by Haxhi & Aguilera (2017) and Fiss (2007), the findings provide valuable insights into corporate governance research and contribute to the comparative governance research model.

Specifically, the research enhances our understanding of how institutions and the overall business environment affect a nation, particularly how the business environments of its administrative entities (provinces and cities) influence the relationship between corporate governance and firm performance. In other words, variations exist in the relationship between corporate governance and firm performance across different provinces and cities within the same country.

In conclusion, the novel contribution of this thesis lies in its comprehensive perspective on the business environment and the development of a tailored set of scales appropriate for a country like Vietnam, which experiences significant variations in local and regional competitiveness.

The theoretical contributions include:

- (1) The substantive examination of legal issues provides a more thorough solution to specific institutional challenges.
- (2) A detailed exploration of the elements of the business environment is essential for understanding the relationship between corporate governance and firm performance.
- (3) The study considers the business environment and legal challenges across various administrative divisions (provinces and cities) within the country.
- (4) It reaffirms the importance of integrating resource dependence theory and agency theory when investigating the relationship between corporate governance and firm performance.

- (5) The research identifies key characteristics of corporate governance and develops a governance scale that can be applied to the Vietnamese context in this area of study.

The practical contributions include:

- (1) Direct and Oversee Corporate Governance: Establish and enforce corporate governance regulations for listed firms to ensure compliance and improve governance standards.
- (2) Enhance the Business Environment: Create a more favorable investment climate, promote a conducive atmosphere for business operations, and ultimately support regional economic development by improving firm performance.
- (3) The study's findings highlight the significance of robust corporate governance practices in enhancing firm performance. Additionally, the research enables businesses to evaluate the overall strength of their corporate governance by calculating governance scores based on various governance attributes.

### **3. APPLICATIONS/ APPLICABILITY/ PERSPECTIVE**


Firstly, future research could consider a more diverse sample, focusing on large, small, and medium-sized enterprises, as well as listed and unlisted organizations. This would minimize analytical data differences among observation groups and allow for a comparison of how the business environment in each province and city affects the relationship between corporate governance and firm performance across different enterprise categories. Consequently, this approach would provide a more comprehensive understanding of the connection between corporate governance and firm performance.

Secondly, the research model from this study could be applied to analyze one or more individual corporate governance attributes, leading to a variety of results and methodologies in examining corporate governance and firm performance. This perspective would also enable an exploration of how the business environment in each province and city impacts the relationship between corporate governance and firm performance.

Thirdly, future studies may directly measure concepts in the study model based on attitudes or behaviors.

Fourthly, additional control variables such as industry type, years of establishment, workforce size, financial leverage, dividend payout ratio, working capital, and cash reserves could be included in future research. This would provide clearer insights into the potential advantages of company size, reach, and market power.

Lastly, employing a broader range of performance metrics will strengthen the evaluation of the relationship between corporate governance and firm performance. Future research could incorporate measures beyond ROE and sales growth, such as stock returns and ROA.

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