BUDAPESTI BUSINESS SCHOOL
UNIVERSITY OF APPLIED SCIENCES
DOCTORAL SCHOOL OF ENTREPRENEURSHIP AND BUSINESS

DOI: 10.70616/BGE.2024.001

Doctoral (PhD) dissertation

Hoang Bui Manh, 2024
Budapest

BUDAPEST BUSINESS UNIVERSITY
DOCTORAL SCHOOL OF ENTREPRENEURSHIP AND BUSINESS

The name of the author
Bui Manh Hoang

The title of the dissertation

The impacts of corporate governance on financial performance in Vietnam

Supervisor: **Prof. Zoltán Krajcsák**

Budapest, 2024

DECLARATION

Hereby I certify that the Ph.D. thesis entitled ‘The impacts of corporate governance on financial performance in Vietnam ’ is solely my own work. It contains no material that has been previously written or /and published by any other academic degree or diploma. Any previously published materials that have been used in this thesis are for bibliographical reference.

Date: 2024.06.10

The name of the author: Bui Manh Hoang

……………………………………..
signature

TABLE OF CONTENTS

Abstract

JEL (Journal of Economic Literature) codes: G3, G38
Keywords: corporate governance, financial performance, corporate governance index, Vietnam

ACKNOWLEDGMENTS

Firstly, I want to thank the Stipendium Hungaricum scholarship for presenting me with an exceptional opportunity and financial assistance, allowing me to pursue my PhD in Hungary.

I sincerely appreciate my supervisor, Professor Krajcsák Zoltán, for his invaluable assistance, guidance, and recommendations throughout my doctoral journey. His unwavering encouragement and direction were instrumental in helping me overcome the challenges of completing my thesis. He is not only an instructor but also a friend of mine in social life indeed. I am also grateful to all the members of the Dissertation Committee and my associate supervisor for their valuable suggestions and feedback on every thesis draft.

I acknowledge the lecturers and staff of the Doctoral School of Entrepreneurship and Business, the Library, and IT services for their support. Additionally, I would like to thank my friends at Budapest Business University, especially my Vietnamese friends, for their assistance and for sharing joyful moments and challenges with me on this remarkable journey.

Lastly, I express my deepest gratitude to my family for their unwavering love and constant encouragement throughout my unforgettable PhD journey.

LIST OF TABLES

LIST OF FIGURES

List of Abbreviations or Symbols

AC - Administrative Council

ACPM - Asset-capital pricing model

AR - Annual report

BoD - Board of Directors

CEO - Chief Executive Officer

CGI - Corporate governance index

CGMI - CG measurement index

DPR - Dividend payout rate

FEM - Fixed effects model

GM - General manager

GMoSH - General Meeting of Shareholders

HNX - Hanoi Stock Exchange

ICGN Global Governance Principles

IDTI - Information disclosure and transparency index

IFAC - International Federation of Accountants

IRRC - Investor Responsibility Research Center

LC - Listed company

MVCBV - Market value compared to book value

MVVR - Market value versus revenue

OECD - Organization for Economic Cooperation and Development

PC - Public company

P/B ratio - Price/book value ratio

P/E ratio - Price-to-earnings ratio per share

REM - Random effects model

ROA - Return on Assets

ROE - Return on equity ratio

SD - Sustainable development

SM - Stock market

SPF - Stock price fluctuations

TSR - Two-stage regression

VNX – Vietnam Stock Exchange

Chapter 1

Introduction

1.1 Purpose of the dissertation

During recent decades, corporate governance (CG) topics have gained significant attention worldwide (Ahrens, Filatotchev, & Thomsen, 2011). One ongoing question in this field revolves around the impact of CG on firm financial performance. Despite numerous studies on this topic, the question still needs to be answered. Therefore, this dissertation aims to investigate the influence of CG features on the financial performance of Vietnamese listed firms. The dissertation focuses on fundamental features of CG, such as board size, board gender diversity, board independence, board duality, insider ownership, and block holder ownership, and analyzes their likely effects on the financial performance.

A panel data set of 420 Vietnamese-listed firms from 2020-2022 is utilized to achieve the dissertation's objectives. This dataset provides a comprehensive view of these firms' corporate governance landscape and financial performance over a three-year period. Multiple estimation methods are employed to ensure robustness and address potential endogeneity issues. The dissertation utilizes the System-GMM estimator, which controls for endogeneity concerns by incorporating lagged dependent variables and instrumental variables. Additionally, the ordinary least square (OLS) and fixed effects (FE) estimators are utilized for comparison purposes, providing comprehensive data analysis.

By employing these estimation methods, the dissertation aims to uncover the relationship between CG features and financial performance in the Vietnamese context. The findings of this research have implications for policymakers, investors, and corporate managers. Understanding the impact of CG on financial performance can help policymakers formulate effective regulations and guidelines to enhance corporate governance practices in Vietnam. Investors can utilize the findings to make informed investment decisions, considering the influence of CG on the financial performance of listed firms. Moreover, corporate managers can use the insights to improve their firm's governance structures, potentially enhancing financial performance.

The dissertation's focus on the Vietnamese context adds value to the existing literature on corporate governance. While previous research has predominantly focused on developed economies, there is a growing need to understand the implications of CG in emerging markets such as Vietnam. The unique characteristics and dynamics of the Vietnamese market provide an exciting context to explore the relationship between CG and financial performance.

In conclusion, this dissertation aims to contribute to the ongoing discourse on the impact of corporate governance on firm financial performance. By analyzing the influence of various CG features on the financial performance of Vietnamese listed firms, the research seeks to provide valuable insights for policymakers, investors, and corporate managers. Using panel data and multiple estimation methods ensures robustness and comprehensive data analysis. Ultimately, this dissertation's findings can contribute to improving corporate governance practices and financial performance in the Vietnamese business landscape.

1.2 Background of the dissertation

For decades, corporate governance (CG) issues have received increasing attention globally, especially after the challenges faced due to the Covid-19 crisis (Jebran & Chen, 2020). According to Claessens and Yurtoglu (2013), there is widespread acknowledgement of the potential macroeconomic, distributional, and long-term consequences of weak corporate governance systems.

Corporate governance is associated with a firm's financial performance (e.g., Bhagat & Bolton 2008, Gompers et al., 2003). Studies have primarily focused on the U.S. and other developed markets, such as Bhagat and Bolton (2008), Gill and Mathur (2011) and Kiel and Nicholson, (2003), although there are some studies in developing countries, such as La Porta et al. (1997).

There are some limitations in prior studies. Firstly, studies are based either on small samples with a limited number of observations (e.g., Adhikary & Le, 2014; Vo & Phan, 2013) or on cross-sectional data (e.g., Dao & Hoang, 2014) that does not allow to control for unobserved firm effects, potentially leading to the endogeneity problem. Second, prior studies provide mixed results. For example, in the Taiwan and Hong Kong markets, respectively, Kao et al. (2019) and Lam and Lee (2008) found that CEO duality adversely impacts firm performance, whereas Mashayekhi and Bazaz (2008) found no relationship between board duality and firm performance in the Iran market. Finally, as CG is challenging to measure, many previous studies have used an approach by adopting proxy variables to determine and evaluate CG, such as the size of the Board of directors, the number of independent members, and the number of board meetings. However, some recent researchers (Schepker & Oh, 2013; Yoshikawa et al., 2014) show that measuring CG through proxies is unreasonable because one proxy cannot fully reflect comprehensive corporate governance and its complexity. Moreover, studies must assume that each governance mechanism function is independent. To capture these complex aspects, studies have generated some indicators to evaluate CG practice quality (Bebchuk & Cohen, 2005; Gompers et al., 2003).

This dissertation has two research questions: For Vietnamese companies, which elements of corporate governance impact financial performance? Furthermore, how should financial performance be measured in the context of Vietnamese companies? To answer this, the study aim to develop an integrative research framework that will review theories in addition to the principal-agent problem classically associated with corporate governance. The thesis also investigate empirical studies and practice to uncover the basis for elements that constitute corporate governance. Finally, the thesis examine the measures used to assess financial performance concerning corporate governance. In this way, our dissertation attempts to bridge the gaps in prior studies by providing an integrative research framework and hypotheses that will benefit both practitioners and researchers in assessing and understanding corporate governance practices.

While Vietnam is similar to other emerging countries, with a weak legal system, insufficient investor protection, and a weak corporate control market (Pham et al., 2015), it differs from other developing countries in being one of the only two emerging economies under a communist regime (China is the other). The State dominates many critical sectors and holds shares in approximately 240 listed companies, retaining control in some of the largest. Studies of listed companies in Vietnam have focused on the life cycle in relation to corporate governance (Pham et al., 2020), size of the Board of Directors or shareholders (Dao and Hoang, 2014) and board structure with financial performance (Viet, 2013; Vo and Phan, 2013).

This thesis presents the country's background, followed by the operational definitions and theoretical underpinnings of corporate governance practice. Following this, our literature review will cover the four main areas of corporate governance mentioned earlier and calculations for corporate governance and the financial impact. While reviewing the literature, the thesis build hypotheses and present an integrated research framework. The thesis then discusses these findings and provides both practical and research implications.

Corporate governance history

Corporate governance systems have evolved over the centuries, often stemming from corporate failures or systemic crises.

Wells believes that corporate governance issues have appeared since the 17th century with the birth of the first joint stock companies, such as British East India (1600 - 1874) or Dutch East India (1602 - 1799) (Wells, 2010). The joint stock company model with limited liability was developed during this period to meet the huge capital needs of international trade projects between Europe and the rich East Indies or North American continents. However, the companies of this period were established and operated exclusively with the permission and patronage of the royal family on a small scale, established for a small number of exclusive professions such as international trade or Bank. From this point, the separate structure between ownership and management has led to many conflicts between capital contributors (shareholders) and the company's management representative team (BOD). For example, according to De Jongh, conflicts between shareholders and management representatives at Dutch East India, one of the world's first joint stock companies, arise from information and informational asymmetry. As a result, investors do not have a voice in the operation and management of the company (de Jongh, 2010).

During this period, Adam Smith's publication "The wealth of nations" also addressed the issue of the separation of ownership and management structure in the joint stock company model. Regarding the company's organizational structure, Adam Smith confirmed the executive management role of an executive board. This board is subject to regular supervision by the owners (equivalent to the AGM in a modern context). He also emphasized that most owners rarely actively research the company's business performance. They are satisfied with receiving any dividend paid periodically by the executive board. According to Adam Smith, the problem with this segregated corporate structure is that: "The managers of these holding companies are managing other people's money, not their own. Therefore, they cannot be expected to manage the company as closely and carefully as partnership owners manage their own money. More or less in this type of joint stock company, the board of directors will always tend to behave less cautiously and irresponsibly." (Smith, 1776)

Following the success of the East India Company model in the 17th century, into the 18th century, the British Royal family continued to establish a joint stock company specializing in exploiting the South American sea route, named South Sea Company (principal name) Form: The Governor and Company of the merchants of Great Britain, trading to the South Seas and other parts of America, and for the encouragement of fishing) in 1711. This company was established to restructure the enormous national debt after successive wars with France and the Nordic region. The company was granted the exclusive right to exploit the potentially profitable South American sea route with the slave trade. Meanwhile, Britain was waging war with Spain, and South America had been brought under Spanish control. The South Sea Company made no profit from this trade. The company mainly performed the debt reversal function for the British Royal Family and used to be a competitor of the Bank of England (BoE) when the BoE was still a private company specializing in government debt settlement. The Nam Hai Company's highly competitive position in the government debt market led them to invest. British investors had high expectations for the company's potential, causing the stock price to soar in 1720 before leading to the Bubble. South Sea Bubble. This event created a revolution in the construction of corporate law and the way of doing business in the UK, creating a premise for the development of corporate governance later (IFC, 2010).

Similarly, much of the stock market regulation in the US was introduced after the stock market crash of 1929 (IFC, 2010). In addition, a series of crises, large and small, such as the secondary banking system crisis in the UK in the 1970s, the crisis of savings and lending institutions in the US in the 1980s, the financial crisis in Russia in 1998, the financial crisis in Asia in the period 1997-1998 and the global financial crisis in 2008-2009 also contributed significantly to changing standards for applying corporate governance principles in many countries nation.

The history of corporate governance was also changed after a series of failures of many large companies in European and American countries, such as the Maxwell Group taking over the pension fund of the Mirror newspaper group and the collapse of Barings Bank in the late 1990s. 1990s. After 2000, the sudden collapse of companies Enron (USA), Worldcom (USA), Vivendi Universal (France), the scandal at Parmalat company (Italy), fraud at Société Générale bank, or Madoff's multi-billion dollar scam underscores the importance of corporate governance in the modern world. These failures – often the result of incompetence or fraud – quickly led to the introduction of new corporate governance frameworks and laws, most notably the corporate governance laws of many countries. , the Sarbanes-Oxley Act, and the tendency to impose stricter regulations in the supervision of banking and financial activities.

Corporate governance, though its formalization came in the 1970s with the rise of accountability emphasis by bodies like the SEC, has roots in the need for responsible management of large enterprises since the dawn of large-scale trade. Early corporations likely had basic structures, but growing concerns and scandals throughout the 20th century, particularly the 1990s, propelled the development of stricter frameworks. These frameworks play a vital role in fostering investor confidence, promoting responsible decision-making, and enabling growth, ultimately shaping the trajectory of modern corporations. As the business landscape evolves, so do these principles, with recent trends focusing on environmental, social, and governance (ESG) considerations.

1.2.1 Regulatory framework in Vietnam

Convergence with Global Standards: Vietnam's regulatory framework is evolving to align with international best practices. Participation in trade agreements like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) requires adopting international standards for intellectual property rights and competition policy (Pham, 2017). This alignment creates a more predictable investment environment, attracting foreign capital and expertise.

Challenges of Implementation and Enforcement: Despite progress, concerns still need to be addressed about implementation and enforcement. Bureaucracy can cause delays, and a lack of transparency in regulatory processes can hinder business operations (World Bank, 2020). Strengthening enforcement mechanisms and promoting regulatory clarity are crucial for a business-friendly environment.

Balancing Growth and Risk Management: Vietnam's regulatory framework must strike a delicate balance. Excessive regulations can stifle innovation and hinder economic growth. On the other hand, weak regulations can expose the economy to financial risks and undermine investor confidence. Finding the right balance is crucial for attracting investment while ensuring financial stability.

Learning from Regional Peers: Vietnam can learn from the experiences of its regional neighbours. Studying established markets like Singapore, which successfully balanced economic growth with robust regulations, can provide valuable insights (World Bank, 2016).

The Road Ahead: Vietnam's journey towards a world-class regulatory framework continues. Collaborating with international organizations, streamlining regulatory processes, and fostering a culture of compliance are all essential steps. Addressing these challenges can help Vietnam create a more transparent and predictable regulatory environment, driving its economy forward globally.

The Vietnamese government adopted the legal principles of Anglo-American jurisdictions to establish a regulatory framework for Vietnamese companies' corporate governance practices (Le & Walker, 2008). In Vietnam, the Law on Enterprises (LOE) designates the mandatory internal governance structure of a shareholding company which consists of four major components: (i) shareholder's meetings, (ii) Board of Directors, (iii) CEOs, and (iv) Supervisory Board.

Vietnam follows a two-tier corporate governance system where the top management is concurrently undertaken by the two bodies, the Board of Directors and the Supe rvisory Board. LOE helps to ensure the board of directors' independence, seeks to eliminate conflict of interest and improves accountability as part of the Vietnamese government's drive to ensure better corporate governance practices (IFC, 2015).

Under the LOE, based on the OECD Principles of CG, the Ordinance on Corporate Governance for Listed Companies has been assigned to apply the best global practice to Vietnam, to ensure stable development of the capital market and a transparent economy. The main principles of corporate governance applicable to a listed company under the Ordinance include: (i) Rights of shareholders; (ii) General meeting of shareholders; (iii) Board of Directors; (iv)Supervisory Board; (v) Conflicts of interest and related party transactions; and (vi) Information disclosure and transparency.

Despite the government's continuing efforts, Vietnam is ranked 168th out of 185 economies (Table 1.1) for strengthening investor protection (World Bank, 2021). The average CG score of Vietnam in 2019, conducted by IFC using a scorecard, was only 41.7%, much less than other markets in Asia (IFC, 2020).

Table 1.1. Investor protection country ranking

Country	2021 Rank	2021 Score	Change from 20[illegible]
Singapore	1	0.865	+2
Switzerland	2	0.838	
Finland	3	0.834	-2
Denmark	4	0.831	
Norway	5	0.817	+1
Sweden	6	0.808	+1
Netherlands	7	0.807	-2
Germany	8	0.804	
United Kingdom	9	0.772	+1
New Zealand	10	0.769	-1
…			
Vietnam	168	0.513	-7

Figure 1.1: Asean Corporate Governance Scorecard 2021 Updates

	Indonesia	Malaysia	Phillippines	Singapore	Thailand	Vietnam
2012	43.29	62.29	48.90	55.67	67.66	28.42
2013	54.55	71.69	57.99	71.68	75.39	33.87
2014	57.27	75.22	67.02	70.72	84.53	35.14
2015	62.68	76.91	73.09	78.14	87.53	36.75
2017	70.53	82.40	67.61	78.45	85.73	41.30
2019	70.80	94.99	77.24	88.27	96.60	54.55

Source: Asean Capital Market Forum 2019

Transparency, protection of minority shareholders, and board professionalism and effectiveness have been identified among the weaknesses of CG practices in Vietnam (World Bank, 2013b). Recently, Vietnam experienced several corporate financial scandals of high-profile listed companies such as Asia Commercial Bank and Ocean Bank. Therefore, a systematic assessment of corporate governance practices in listed companies in Vietnam is essential in the current Vietnamese context.

1.2.2 CG context in Vietnam

Good corporate governance positively influences both the macro and micro scales. At the level of the whole economy, corporate governance helps promote growth and create opportunities for development in two ways. Firstly, corporate governance directly impacts financial and investment activities, such as attracting new shareholders to the capital market or changing the enterprise's capital structure in a healthy and positive direction. Second, corporate governance helps to allocate resources more effectively, such as through monitoring mechanisms, improving accountability, and regulating the behavior of corporate managers. Corporate governance can also help financial markets maximize their functions, attract more foreign investment capital, and help prevent market risks during financial crises.

At the micro level of an enterprise, good corporate governance often promotes operations and improves business performance. Improving the quality of corporate governance will reduce risks, reduce financial fraud or prevent personal profiteering transactions of senior managers. Corporate governance helps to improve the efficiency of management and supervision of the BOM's activities, for example, through a compensation mechanism linked to the company's performance. Applying good corporate governance principles is expected to increase investment decisions' efficiency and improve future cash flow prospects. Good corporate governance minimizes the impact of information asymmetry in the market, providing better protection for minority investors. The quality of corporate governance helps to improve the confidence of domestic and international investors. As a result, enterprises' ability to access capital markets is also more favorable and open. In summary, applying good corporate governance principles is a factor that promotes the business results of enterprises, minimizes risks, and most effectively prevents bad decision-making.

Good corporate governance is essential in a healthy and attractive investment environment. Good corporate governance helps protect minority shareholders, increases investor confidence, encourages better decision-making, and improves relationships with employees, creditors, and other stakeholders. Better investor protection indirectly reduces the cost of capital through capital-raising plans and stock market listings. Good corporate governance also helps to make companies' operations transparent, thereby improving operational efficiency. Good corporate governance also enhances competitiveness, and adaptability to macro fluctuations maintains stability and optimizes economic capital allocation. It is, for this reason, that from the Global Economic Forum to action programs, reconstruction programs, and economic restructuring in most countries, economic communities, and regions. Building, forming, and maintaining a good corporate governance foundation is always the most critical topic of concern and discussion in the world's economy.

For Vietnam, it is exceptionally urgent to form a good corporate governance foundation. Moreover, the country's economic development needs require Vietnam to quickly and proactively integrate deeper and more deeply into the regional and international economy. However, the awareness and integration ability of Vietnamese enterprises is still limited, especially the operational efficiency and labor productivity are not high, leading to the fact that Vietnamese enterprises have low competitiveness. It is also subject to high-pressure regulation of foreign enterprises not only in international markets but also in the domestic market itself.

Many significant reasons negatively affect the competitiveness of Vietnamese enterprises, one of which is ineffective corporate governance (Nguyen and Dang, 2022). Weak corporate governance limits the supervision and control of enterprises. As a result, it negatively affects the development and implementation of medium and long-term strategies, limiting the capacity to forecast, prevent and handle risks arising in the production and business process. Furthermore, inefficient corporate governance reduces transparency in business operations, and investors' interests are not guaranteed. This causes distrust of investors and affects the company's ability to attract and raise capital. Lack of capital for business will naturally limit the scale and scope of business activities, not commensurate with the potential, and unable to compete with foreign enterprise.

Acknowledging the importance of good corporate governance to the economy, the stable and efficient development of the stock market in general, and the operation of each enterprise. In particular, the Vietnam Government and the Ministry of Finance have shown many efforts to introduce, propagate, and disseminate knowledge, building a legal framework to create a foundation for the acquisition and application of good corporate governance practices in Vietnam.However, although the corporate governance foundation of public and listed companies has made great strides, up to now, the CG index in Vietnam is still low compared to other countries in the region and the world. In collaboration with the IFC, scorecard reports of the State Securities Commission conducted in 2017, 2018, 2019, and 2020 show that Vietnam's governance index is at the lowest level in the region compared to Singapore, Malaysia, Thailand, Philippines, and Indonesia. Reports on compliance with standards and rules of the World Bank in 2019, Assessment report of the International Organization of Securities Commissions (IOSCO) in 2019 also gave similar results. The progress achieved is assessed mainly from the management agencies' efforts in perfecting the legal documents system and propagating and disseminating knowledge on corporate governance. On the contrary, from assessing the change in awareness of the enterprises, the Boards of Directors need to be completed and recognized. Unfortunately, although it is good for themselves, most businesses stop trying to comply with legal regulations without consciously aiming to enforce good corporate governance standards worldwide.

The experience of developed countries also shows that a complete legal system and the efforts of the management agencies are only necessary and insufficient conditions for forming a good and effective corporate governance foundation. A good corporate governance foundation can not only exist when each enterprise, each member of the Board of Directors, and each market member must have experience, qualifications, and professionalism. However, they must also be aware of the importance of corporate governance for their interests, enterprises, and the whole economy.

To do this, in addition to perfecting and rationalizing the legal system and management framework, Vietnam needs scientific studies that establish a clear relationship between applying good corporate governance standards and implementing good corporate governance quality of operations as well as the value of the business, the value that shareholders benefit when applying these standards. Only when the business itself, the business managers are aware of the material value created from applying good corporate governance standards, can they hope for a breakthrough transformation of the economy's corporate governance platform in Vietnam. Stemming from the above important, domestic and foreign studies have been conducted to dissertation the impact of corporate governance on the operations of enterprises, especially state-owned enterprises. However, foreign studies are not directly related to the activities of Vietnamese enterprises, while domestic studies still have specific limitations, such as sample size (Chen et al., 2021; Uribe-Bohorquez et al., 2018; Lin et al., 2018; Filatotchev & Nakajima, 2010; Musacchio & Lazzarini, 2014; Nguyen et al., 2015). Foreign studies on corporate governance, such as those by Chen et al. (2021), Uribe-Bohorquez et al. (2018), and Lin et al. (2018), highlight the positive impact of ownership concentration and board independence on firm performance. However, they may not directly apply to Vietnamese enterprises due to contextual differences. Filatotchev and Nakajima (2010) emphasize the combined effect of internal and external governance mechanisms, while Musacchio and Lazzarini (2014) discuss governance reforms in the context of state capitalism. Nguyen et al. (2015) demonstrate that national governance quality enhances the benefits of ownership concentration. Nevertheless, these studies often need more support, such as focusing on specific countries or needing more empirical validation in Vietnam. Moreover, research subjects could be more consistent, especially regarding operating results and enterprise value. The research period is extended with old and outdated data when Vietnam had a series of legal reforms related to corporate governance in the period from 2012 to the present, including the introduction of Circular

121/2012/TT-BTC on corporate governance and Circular 155/2015/TT- BTC about information disclosure on the stock market.

Based on corporate governance's impacts on businesses and previous studies' limitations, the research recognizes the urgent need to assess the role and impact of corporate governance on performance and the value of listed companies on the Vietnam Stock Market. The proposed research will bring high practical value to market regulators and legislative bodies in improving the quality of corporate governance in the stock market. The efforts of the Vietnamese government and the Ministry of Finance to enhance corporate governance are commendable, but further improvement is necessary to achieve practical value. Key measures include updating and enforcing governance codes, enhancing transparency and disclosure, and building capacity through education and training. Promoting stakeholder engagement, leveraging technology, fostering an ethical corporate culture, and regular monitoring and evaluation are also essential. Collaboration with international bodies and benchmarking against global standards will ensure that Vietnam's corporate governance practices are aligned with international best practices, ultimately boosting economic growth and attracting foreign investment (Nguyen et al., 2020; World Bank, 2021).

1.3 Problem Statement

For decades, corporate governance (CG) issues have received increasing attention globally, especially after the challenges faced due to the Covid-19 crisis (Jebran & Chen, 2020). According to Claessens and Yurtoglu (2013), there is widespread acknowledgement of the potential macroeconomic, distributional, and long-term consequences of weak corporate governance systems.

Corporate governance is associated with a firm's financial performance (e.g., Bhagat & Bolton 2008, Gompers et al., 2003). Studies have primarily focused on the U.S. and other developed markets, such as Bhagat and Bolton (2008), Gill and Mathur (2011) and Kiel and Nicholson, (2003), although there are some studies in developing countries, such as La Porta et al. (1997).

There are some limitations in prior studies. Firstly, studies are based either on small samples with a limited number of observations (e.g., Adhikary & Le, 2014; Vo & Phan, 2013) or on cross-sectional data (e.g., Dao & Hoang, 2014) that does not allow to control for unobserved firm effects, potentially leading to the endogeneity problem. Second, prior studies provide mixed results. For example, in the Taiwan and Hong Kong markets, respectively, Kao et al. (2019) and Lam and Lee (2008) found that CEO duality adversely impacts firm performance, whereas Mashayekhi and

Bazaz (2008) found no relationship between board duality and firm performance in the Iran market. Finally, as CG is challenging to measure, many previous studies have used an approach by adopting proxy variables to determine and evaluate CG, such as the size of the Board of directors, the number of independent members, and the number of board meetings. However, some recent researchers (Schepker & Oh, 2013; Yoshikawa et al., 2014) show that measuring CG through proxies is unreasonable because one proxy cannot fully reflect comprehensive corporate governance and its complexity. Moreover, studies must assume that each governance mechanism function is independent. To capture these complex aspects, studies have generated some indicators to evaluate CG practice quality (Bebchuk & Cohen, 2005; Gompers et al., 2003).

This dissertation has two research questions: For Vietnamese companies, which elements of corporate governance impact financial performance? Furthermore, how should financial performance be measured in this context? To answer this, the thesis aim to develop an integrative research framework that will review theories in addition to the principal-agent problem classically associated with corporate governance. The thesis also investigate empirical studies and practice to uncover the basis for elements that constitute corporate governance. Finally, the study examine the measures used to assess financial performance concerning corporate governance. In this way, our dissertation attempts to bridge the gaps in prior studies by providing an integrative research framework and hypotheses that will benefit both practitioners and researchers in assessing and understanding corporate governance practices.

While Vietnam is similar to other emerging countries, with a weak legal system, insufficient investor protection, and a weak corporate control market (Pham et al., 2015), it differs from other developing countries in being one of the only two emerging economies under a communist regime (China is the other). The State dominates many critical sectors and holds shares in approximately 240 listed companies, retaining control in some of the largest. Studies of listed companies in Vietnam have focused on the life cycle in relation to corporate governance (Pham et al., 2020), size of the Board of Directors or shareholders (Dao and Hoang, 2014) and board structure with financial performance (Viet, 2013; Vo and Phan, 2013).

In addition, The Covid-19 pandemic has had a significant impact on corporate governance practices worldwide (Jebran & Chen, 2020; He, Liu, & Wei, 2020; McNulty & Nordberg, 2021). The crisis has revealed vulnerabilities in existing CG frameworks and necessitated rapid adaptations to ensure organizational resilience and sustainability (Tricker, 2020). While CG issues have been a focal point for decades, the unprecedented challenges posed by the pandemic have intensified scrutiny and necessitated substantial reforms. According to Jebran and Chen (2020), the Covid-19 crisis has revealed weaknesses and gaps in existing CG frameworks, leading to a global reassessment of governance strategies. This thesis also seeks to examine the changes in CG practices in the context of the pandemic, particularly for Vietnamese listed companies, identifying the shifts that have taken place and evaluating their implications for future governance standards. Understanding these dynamics is essential for developing resilient and effective CG systems capable of enduring future crises.

1.4 Research gap

A review of previous studies shows that, although there is evidence that the compliance level of companies on corporate governance increases, the relationship between corporate governance practices and corporate performance has producd positive, negative, mixed or inconclusive results in developed countries. Furthermore, when tested in emerging markets, these studies yielded inconsistent results.

Most previous studies used only one or fewer corporate governance mechanisms in a model such as independent board members, the board size, manager ownership, and other dimensions to check the relationship between the above corporate governance characteristics and firm performance.

Finally, only a small number of studies in Vietnam have applied a more comprehensive tool to measure and score the quality of corporate governance performance using the corporate governance practice index questionnaire, commonly used in other countries under the OECD.

1.5 Significance of the thesis

The current dissertation seeks to address the limited research on corporate governance (CG) practices in Vietnam and contribute to promoting practical CG standards and practices in the country. Focusing on Vietnamese-listed firms, this research aims to provide valuable insights for policymakers, regulators, and stakeholders. In order to bridge the gaps in previous studies, the dissertation utilizes the SYS-GMM estimator to address the endogeneity issue.

By employing this estimator on a substantial sample of 420 listed firms on the Vietnam Stock Exchange during 2020-2022, the dissertation aims to generate more reliable and comprehensive results. Also, the dissertation adds to the existing literature on CG by examining the impact of CG on firms' performance in Vietnam, where a unique environment characterized by high ownership concentration and high state ownership exists.

1.6 Structure of the thesis

The thesis is structured as follows. Chapter Two comprehensively reviews pertinent literature concerning corporate governance (CG) and its connection with firm financial performance. This chapter begins by presenting the definitions and theoretical foundations of CG, followed by a discussion of the existing literature on the association between CG and firm financial performance. Drawing from insights from the literature review, Chapter Two further formulates the research hypotheses regarding the relationship between the CG index, its components, and the financial performance of listed firms in Vietnam.

Moving on to Chapter Three, this section presents the details of the data collection process, along with the definitions of variables used in the dissertation. Additionally, it addresses the issue of endogeneity and the dynamic relationship between the CG index and firm financial performance. The chapter also outlines the empirical estimation methods employed in the research to explore the link between the CG index and the financial performance of listed firms in Vietnam.

Chapter Four is dedicated to reporting the empirical results and findings from the analysis. This section provides a comprehensive overview of the outcomes derived from the data and the statistical analysis.

Lastly, Chapter Five presents the dissertation's conclusions. It encompasses the main findings derived from the empirical analysis, highlights the contributions made by the research, discusses the implications of the findings, and acknowledges the dissertation's limitations. Additionally, this chapter suggests future research avenues on CG and its influence on firm financial performance, encapsulating the entirety of the thesis's organizational structure.

1.7 Summary

Contrary to significant legal advancements, the practical implementation of corporate governance in Vietnam still needs to improve, with limited progress regarding safeguarding the rights of shareholders and related stakeholders, ensuring fairness, transparency, and the effectiveness of the Board of Directors' operations. The quality of corporate governance and investor protection in Vietnam must meet global standards. It exhibits a substantial gap compared to countries in the region, even those with relatively similar economic development levels. This scenario is similar to international experiences. Across most nations, a disparity exists between the completeness of the legal system and the actual application of corporate governance. In other words, legal completeness is necessary, but more is needed to ensure the quality of corporate governance.

The research results highlighted the difference between the legal system and the practical implementation of corporate governance. Among the nine countries and territories studied—South Korea, China, Hong Kong, Taiwan, Thailand, Singapore, the Philippines, Malaysia, and Indonesia—regarding the completeness of the legal system for corporate governance based on the OECD's five principles, the Philippines and China ranked highest. Surprisingly, Singapore, the country with the lowest score in legal completeness, demonstrated the highest quality of corporate governance. Conversely, according to investor evaluations, Singapore scored highest in corporate governance quality, while China and the Philippines received the lowest scores.

The International Corporate Governance Network's report illustrates the limitations of relying solely on the legal system to enhance corporate governance quality. Globally, only some universally applicable corporate governance models exist for all countries or businesses. Excessive and overly specific regulations may enhance system safety but increase compliance costs and reduce the flexibility and creativity of individual enterprises, thereby adversely affecting the primary objective of effective corporate governance—to generate the highest value for shareholders.

Given the above reasons, enhancing awareness of corporate governance and the consciousness of building a robust corporate governance framework, primarily from a business's perspective, is essential and urgent. Elevating this awareness occurs through vocational training programs and knowledge updates for members of the Board of Directors, members of the audit committee, and company secretaries. Scientific studies provide credible evidence regarding the impact of corporate governance on the quality and effectiveness of business performance. This indeed constitutes the research objective of this dissertation.

Chapter 2

Literature Review and Hypothesis Development

2.1 Definition of corporate governance

Corporate Governance (CG) is defined differently in both practical contexts and academic studies (Bebchuk & Hamdani, 2009; Shleifer & Vishny, 1997). Notably, events like the global collapses of major corporations such as WorldCom, Enron, and Arthur Andersen have been linked to CG issues (Erkens et al., 2012). As a result, numerous scholars have revisited the definitions and various facets of CG, contending that variations in culture, legal systems, and historical backgrounds across countries pose challenges in establishing a universally accepted definition of corporate governance (Ararat et al., 2016; Black, 2001; Claessens & Yurtoglu, 2013).

The definitions of CG vary widely. According to Claessens & Yurtoglu (2013), CG definitions might be classified into two categories. Claessens & Yurtoglu (2013, p.3) suggest that "the first set of definitions concerns itself with a set of behavioural patterns: the actual behaviour of corporations, in terms of such measures as performance, efficiency, growth, financial structure, and treatment of shareholders and other stakeholders. The second set concerns itself with the normative framework: that is, the rules under which firms are operating - with the rules coming from such sources as the legal system, the judicial system, financial markets, and factor (labour) markets."

Using the first set of definitions of CG, termed as the "narrow approach", Shleifer & Vishny (1997, p.737) define CG as the means by which capital providers ensure that they can obtain their investment's returns, prevent managers from misusing the resources of firms in projects that depart from maximising shareholders' values, and create the mechanisms that enable capital providers to monitor managers. In a similar vein, Sternberg (1998) provides a definition in favour of the shareholders' perspective describing CG as ways of ascertaining that the entire firm resources are properly utilised in achieving the corporate goals set by the shareholders. Likewise, Monks & Minow (1995) define CG narrowly as the relationship between participants, such as CEOs, managers, stockholders, and employees, in setting the firms' objectives and performance.

Several researchers argue that the primary duty of a company is to maximize wealth for its shareholders (Baker et al., 1988; Fama & Jensen, 1983; Jensen, 1986; Jensen & Meckling, 1976; Ross, 1973; Scharfstein, 1988). This narrow perspective aligns with the conventional financial model and can be explained through agency theories. Shareholders play the role of principals, and management acts as their agents. This viewpoint is similar to Walker's (2009) definition, which asserts that "the role of corporate governance is to protect and enhance shareholders' interests by setting the company's strategic direction, appointing and supervising management to achieve these goals."

According to the OECD (2004), corporate governance encompasses a set of relationships among the company's management, board of directors, shareholders, and other stakeholders. Corporate governance structure defines explicitly the allocation of rights and responsibilities among different members within the company, such as the board of directors, management, shareholders, and other stakeholders. It also provides clear explanations of the company's rules and procedures for making decisions. In this way, it establishes structures through which the company's objectives are set, means to achieve those objectives are determined, and effective monitoring is conducted.

In this context, the company is regarded as a social entity with accountability and responsibility to stakeholders, including shareholders, creditors, suppliers, customers, employees, management, government, and the local community (Freeman & Reed, 1983). Rezaee (2009) describes corporate governance as an ongoing process of managing, controlling, and evaluating business operations to create value for shareholders and protect the interests of other stakeholders. According to this definition, corporate governance has seven essential functions: oversight, management, compliance, internal auditing, advisory, independent auditing, and monitoring.

The definitions endorsed by various perspectives assert that a company's obligations extend beyond its shareholders, encompassing all stakeholders whose contributions are vital to its success (Chicago et al., 1984; Donaldson & Preston, 1995). From this viewpoint, Solomon and Solomon (2014) define corporate governance as a "system of checks and balances, both internal and external, for companies, ensuring that they fulfill their accountability to all stakeholders and act responsibly in all areas of their business operations."

Corporate governance, as outlined by Cadbury (1999), strives to enhance resource efficiency by minimizing fraud and ineffective management, with the dual objective of maximizing profits and harmonizing the frequently divergent interests of various stakeholders. Therefore, this perspective posits that a company is an extension of its owners, with its core objective being to provide the highest quality goods or services to customers, ultimately maximizing the owners' assets (West, 2006).

Furthermore, a central and ongoing concern of corporate governance is how management effectively manages relationships with various stakeholders through different management systems (Maher & Andersson, 2000). Aguilera and Jackson (2003) explore the traditional stakeholder theory of corporate governance, observing that a company is a "web of contracts" with diverse stakeholders, emphasizing that the company's primary goal should be to maximize the interests of all stakeholders. The results indicate that researchers have a broader view of corporate governance with the explicit acknowledgment of stakeholders (Wanyama et al., 2013). Additionally, Allen et al. (2005) found that the stakeholder model of corporate governance helps developing countries, as pursuing their interests can help address market failures in these emerging economies.

Studies universally acknowledge the definition provided by the OECD principles (2004) because it is comprehensive and encompasses the entire corporate governance framework. Following these research findings, corporations have the responsibility not only to oversee and concentrate on the interactions among shareholders, managers, and the board of directors but also to consider the interests of all stakeholders. Therefore, this research will consistently consider the stakeholder perspective endorsed by the OECD principles on corporate governance.

2.2 Fundamental corporate governnaces theories

2.2.1 Agency theories

One essential theory to investigate CG's insights is "agency theory." The Modern Corporation and Private Property," a classic work by Berle & Means published in 1932, on page 117, laid the groundwork for "agency theory" by asserting that in situations where "ownership is widely dispersed." Also, managers of firms are more likely to pursue their own goals than to maximize shareholder returns. This perspective from Berle & Means (1932) was later refined by Jensen & Meckling (1976) into what is now known as "Agency Theory."

The agency relationship is defined as "a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf and involves delegating some decision-making authority to the agent" by Jensen & Meckling (1976, p. 308) in their renowned article "Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure" published in 1976. The issue with dispersed ownership is that, unlike the managers (the agents) who oversee the daily operations of the company, the owners (the principals) are not always present to monitor these daily operations, which increases the likelihood that the managers will use their position of power to maximize their interests rather than the interests of the company's shareholders (Jensen & Meckling, 1976).

As a result, the owner will have to pay "agency expenses," which are defined as "the sum of (1) the monitoring expenditures by the principal, (2) the bonding expenditures by the agent, and (3) the residual loss" by Jensen & Meckling (1976, p. 308). The "monitoring costs" are the costs incurred by "the principal" in setting up incentives and monitoring frameworks to guide "the agent's" behavior in order to maximize "the principal's value." The expenses made by "the agent" to abide by the specified monitoring system are referred to as "bonding costs." Even after monitoring and bonding, there may still be some agency losses as "the consequence of the conflict of interests" between the "principal" and "agent" (Jensen & Meckling, 1976).

The BODs' "monitoring function" in a CG mechanism is the subject of agency theory. The BODs are seen as a significant "monitoring instrument" in "agency theory," playing a crucial role in resolving issues resulting from the "agency relationship" (Mallin et el., 2005). Tricker (1984) emphasizes the significance of the chairman-CEO relationship and acknowledges the board's role in monitoring managers' actions. Williamson (1985) and Fama & Jensen (1983) further argue that the protection of the interests of the owners can only be achieved where the roles of the chairman and CEO are divided or where the CEO's interests are aligned with those of the stockholders, which can be accomplished by establishing suitable incentive compensation plans.

"Agency theory" primarily concentrates on the firm's management, BODs, and investors. Other parties involved in a company's operations, such as its workers, suppliers, clients, consumers, and the environment, are not considered. The stakeholder theory is a correction for the agency theory that takes into account these flaws.

Most experimental studies on corporate governance examine various aspects of corporate governance effectiveness based on agency theory. Theorists argue that to limit managerial discretion and its detrimental impact on effectiveness, and shareholders can employ diverse corporate governance mechanisms, including board oversight (Fama & Jensen, 1983) and external large shareholders (Demsetz & Lehn, 1985). Internal governance mechanisms may also incentivize management based on efficient relationships - combining incentives and equity ownership to align interests between agents and principals (Jensen & Murphy, 1990). However, high managerial ownership can lead to entrenched behavior. External factors such as merger and acquisition threats, product competition, and managerial labor market constraints can restrict managerial opportunism (Shleifer & Vishny, 1997).

However, prior studies have needed more insights into corporate governance. Many studies focused only on large, mature U.S.-listed firms, concentrating on the static theory of principal-agent perspectives, paying little attention to managerial changes and the variations in principal-agent relationships across countries, especially in emerging markets. Here, the emphasis is on the supervisory role of governance. Nonetheless, corporate governance ensures managerial accountability while enabling managers to operate for the benefit of shareholders, leveraging companies' developmental potential (Filatotchev et al., 2006).

In conclusion, agency theory remains the dominant theoretical corporate governance model, influencing organizational structures and business policies. However, a multi-theoretical approach is crucial for explaining corporate governance (Daily et al., 2003).

2.2.2 Stakeholder theory

Freeman (1984) founded "stakeholder theory," which contends that a CG mechanism should guarantee the "protection of the interests of all stakeholders" of the firm. In other words, as the agency theory suggests, a governance structure should protect investors' and other direct and indirect interests. For instance, stakeholders with direct interests in a company include shareholders, employees, customers, and suppliers since their actions directly affect or impact how the company operates. With the continued support of this set of stakeholders, businesses can thrive. Related businesses, the media, and other interest groups with an indirect connection to the company are examples of stakeholders with indirect interests in a company. They may be indirectly impacted by or influence the firm's operation, but their participation is not crucial to the firm's survival since they have no business transactions with the firm (Wheeler & Maria, 1997).

Stakeholders can be divided into three groups, including "consubstantial, contractual, and contextual stakeholders," according to Rodriguez, Ricart, & Sanchez (2002). Consubstantial stakeholders are those who have a significant impact on a firm's ability to survive. For example, they could be shareholders, staff members, or business partners. "Contractual stakeholders" have various formal contracts with the company. Financial institutions, buyers, or clients, as well as suppliers, may be among them. Meanwhile, "contextual stakeholders" can be understood widely as the social, economic, and political environments or people and organizations surrounding and relating to the firm's operation. Thus, related government agencies and officials, local communities and societies, and the environment where the firm operates are among the "contextual stakeholders" of the firm.

According to March & Simon (1958), each stakeholder group can help the firm by contributing specific resources. However, each group also expects the corporation to uphold its interests in return. According to Friedman & Miles (2006), the company can be considered as "a grouping of stakeholders." The company's objectives are to manage these stakeholder groups' morally based interests, needs, and points of view.

The authors further indicate that the firm's managers are essential in managing stakeholders' interests. The company's managers should guarantee stakeholders' rights and involvement in decision-making. In order to do that for the company's survival and the protection of each group's long-term interests, managers should also act as "the agents of the shareholders."

Stakeholder theory carries both normative (ethical/behavioral) and instrumental (profit/resource-enhancing) significance since transactions with stakeholders can be seen as fulfilling the legal requirements of all stakeholders and/or as a means to maximize the assets of a company (Donaldson & Preston, 1995; Jones, 1995; Jones & Wicks, 1999).

In corporate governance, normative stakeholder theory traces its origins to the social character notion of corporations, which developed in the latter half of the 19th century (Letza et al., 2004). This theory relates to publicly traded companies formed through political processes and legal frameworks and is a social entity pursuing collective objectives with public obligations (Gamble & Kelly, 2001). Rooted in fundamental human rights and ethics as a reference framework, "the measure of a company's utility is not its generation of wealth for individuals but its contribution to society's larger sense of community by respecting individual dignity and promoting the general welfare" (Sullivan & Conlon, 1997). This perspective views the company as an entity serving business and societal interests, recognized by normative or ethical views of stakeholder theory (Carroll & Buchholtz, 1996).

Instrumental stakeholder theory often connects with multi-pronged models of corporate governance (Letza et al., 2004). Like the social entity theory, multi-pronged models suggest that a company should serve the interests of various stakeholders rather than just shareholders. However, it legitimizes stakeholders' value as an effective means to enhance efficiency, profitability, competitiveness, and business success. Stakeholders invest in the company, contribute, and bear risks with it, giving them the right to participate in company decisions to improve the company's effectiveness (Kelly & Parkinson, 1998). Thus, holding related interests is considered an end and an effective means to achieve specific goals (Stoney & Winstanley, 2001).

In this context, corporate governance debates the company's responsibility to the community on a broader scale. This dissertation illustrates that stakeholder theory has had a specific impact by suggesting that managing stakeholders contribute positively to a company's effectiveness (Donaldson & Preston, 1995). Due to implementing stakeholder theory, researchers have found a solid and robust relationship between corporate governance and company effectiveness ory (Udayasankar et al., 2005). Stakeholders significantly influence a company's effectiveness.

Hillman and Keim (2001) discovered evidence that effective stakeholder management leads to enhanced shareholder asset value. In another dissertation, this author group argued that examining the relationship between stakeholders present on the board of directors and stakeholder effectiveness could directly correlate with the company's financial performance. However, the research results did not support this hypothesis (Hillman et al., 2001).

According to Clarke (2004), if corporate managers want to maximize the organization's total assets, they must consider the impact of their decisions on all stakeholders. Boesso et al. (2013) argue that stakeholder management practices will lead to higher profits, stability, and growth, thereby influencing company effectiveness (Berman et al., 1999). Therefore, effective corporate governance must create a sense of security that the company cares about stakeholders' interests, with the board of directors responsible for both the company and stakeholders (Chan et al., 2014). According to Jensen (2002), stakeholder theory addresses issues caused by multiple objectives, seeking to maximize long-term value. Moreover, managerial decisions need to consider the interests of all stakeholders to maximize their value.

Thus, the perspective on the relationship between corporate governance and stakeholders is considered broader, acknowledging stakeholders' role in the company's sustainable development and long-term survival (Freeman et al., 2004; Scherer et al., 2013).

2.2.3 Asymmetric information theory

A pioneer in this area is Akerlof's (1970) dissertation, which analyzes buyers' and sellers' behavior in the commercial sector by rejecting the perfect information hypothesis instead of the more realistic assumption. The studies of Grossman (1976) and Grossman and Stiglitz (1980) raise the problem of the asymmetric information hypothesis in Sharpe's (1964) classical financial asset pricing model (CAPM). The authors argue that there is a transformation of information into the price. In other words, that information is not free (unlike Sharpe's (1964) assumption that all information is free) and valuable information. Therefore, asymmetric information is the cause of an ineffective market.

According to Jensen and Meckling (1976), the asymmetry of information between managers and shareholders is mitigated by voluntary disclosure as one of the fundamental problems of any relationship. Thus, a significant aspect of the information discrepancy has to do with corporate governance.

Considering all these theoretical areas together in the context of Vietnam, the study see an unusual occurrence. On the one hand, according to agency theorists, the presence of a controlling shareholder can reduce the agency problem by closely monitoring the management and creating more pressure on management to engage in activities that maximize investors' and other stakeholders' interests (e.g., La Porta et al., 1997). However, on the other hand, given that the State acts as a controlling shareholder, it often creates problems for non-controlling shareholders in properly effectuating their shareholders' rights (OECD, 2015). Therefore, the coexistence of high ownership concentration and high state ownership can provide a unique Vietnamese environment that inspires future research directions.

Information asymmetry is considered one of the factors contributing to market failures, a condition in which markets do not achieve efficient distribution. Information asymmetry can occur in two cases:

- *Case of No Information*: This scenario may happen because information either does not exist or is not collected.
- *Case of Incomplete Information*: This situation arises when information is incomplete, inaccurate, untimely, or inaccessible (due to high costs or concealment).

The causes of information asymmetry are both objective and subjective. Objective factors result from the market's efficiency level, which imposes limitations on information transmission and updates. Subjective factors stem from a need for more effort and investment in seeking and utilizing information by market participants, including individuals and organizations. The degree of information asymmetry reflects the market's efficiency level. On the other hand, market participants may intentionally conceal information to gain an advantage in transactions.

There are three expected consequences of information asymmetry: *adverse selection, ethical risks, and monitoring costs*.

Adverse selection (AS), also known as adverse choice, is an issue stemming from information asymmetry that arises before a transaction occurs. Adverse selection can occur when one party, the seller or the buyer, possesses more information relevant to the transaction than the other party or knows more about it (Akerlof, 1970; Einav et al., 2013). The adverse selection allows the party with the information advantage to provide unreliable information about the transaction to the less-informed party. Consequently, the less-informed party agrees to complete the transaction and receives the product not as expected (Einav et al., 2010). In other words, the information advantage can harm the party with less information. For investors, profit is a significant concern as it is the goal they aim to achieve. In the stock market, profit in stock investment is observed and recorded by buying stocks at low prices, selling them at high prices, or earning profits from company dividends (Leuz & Wysocki, 2016). Thus, publicly listed companies, as providers of a unique commodity, financial assets, have more information about the market than external investors acting as buyers. Therefore, these companies know precisely the reasonable selling price for each stock. Suppose investors need more accurate information to determine a company's expected dividends. In that case, they will inaccurately price the stock, leading to a missed investment opportunity when pricing lower than the stock's actual value or a disadvantageous outcome when pricing higher.

Therefore, adverse selection can be understood as rejecting what should not be rejected and selecting what should not be selected due to the absence, deficiency, or even distortion of information. Hence, adverse selection is a situation that occurs when the seller sells things they should not sell or the buyer buys things they should not buy. This happens due to information asymmetry between the two parties before the transaction occurs.

Moral hazard (MH) is a phenomenon where the party with more information no longer has the incentive to make efforts or continue to carry out a transaction rationally as before the transaction occurred, especially after the transaction contract has been signed and is in effect (Duffie & Singleton, 2012). Consequently, they can cause harm to the party with less information. In other words, moral hazard is when individuals or organizations behave against others or organizations for their benefit, which the other party cannot know (Armstrong et al., 2010).

The fundamental difference between Adverse Selection and Moral Hazard lies in timing the consequences resulting from information asymmetry. For example, in loan or insurance contracts, moral hazard arises from the perspective of the borrower or the insurance buyer. Borrowers may put up assets with lower actual values (due to hidden information), so they may rely on the collateral assets if they misuse or inefficiently use the borrowed funds, resulting in only the loss of collateral assets. Alternatively, for insurance buyers, since their assets are already insured, they may use their assets more recklessly than before purchasing insurance (Lang & Lundholm, 2000).

Furthermore, in the stock market, moral hazard occurs if managers do not use capital for efficient and proper investment purposes. Due to the indirect nature of investment capital in the stock market, the control and supervision of shareholders' investment capital must go through a few representatives to run the company. In cases where the representatives for shareholders to run the company do not have a significant ownership stake in the company, their inclination to take risks increases because they believe that if business operations or investments are ineffective or result in losses, they will not suffer significant financial losses (Jensen & Meckling, 1976).

Monitoring costs (MC) represent a specific case that closely relates to both adverse selection and moral hazard, involving undisclosed actions of the party with an information advantage, such as borrowers (or sellers, or delegated representatives), towards the party with less information, like lenders (or buyers, or authorized capital providers) (Healy & Palepu, 2001). Due to their information advantage about the activities they undertake, borrowers may provide limited or inaccurate information for personal gain, thereby causing harm to the lenders. To prevent risks and mitigate losses, lenders must monitor borrowers throughout using borrowed capital until the debt is fully repaid. However, this monitoring process gives rise to a type of associated cost known as monitoring costs, sometimes referred to as audit costs, to remunerate independent auditors for performing this monitoring on behalf of the lenders (Verrecchia & Weber, 2006).

Because there is asymmetric information between corporate managers and shareholders (or investors), where corporate managers have an informational advantage over shareholders, external investors, and stakeholders, they tend to exploit their position for personal gain. The costs incurred from this self-serving behavior reduce the income of shareholders. Consequently, some authors have found empirical evidence to demonstrate that asymmetric information is one of the critical theoretical foundations applied to explain the complex relationship between directors and shareholders, in particular, as well as between directors and the company's stakeholders in general (Hermalin & Weisbach, 2012).

According to Jensen and Meckling (1976), the voluntary disclosure of information mitigates the asymmetric information between managers and shareholders. One of the fundamental issues in any manager-investor relationship is the difference in information between representatives and their owners. A vital aspect of this information difference relates to corporate governance. In this context, corporate governance encompasses a two-way complementary relationship:

- Formal Monitoring Characteristics
- Voluntary Disclosure of Board Activities

2.2.4 Resources Dependency Theory

Asymmetric information theory has become a crucial concept in modern accounting, economics, finance, management, and other business disciplines. This theory is employed in evaluating companies' standards and the extent of information revealed, which is assessed through the openness and transparency index. The general understanding is that a market is considered to have information asymmetry when buyers have less and different information than sellers. For instance, the seller may possess certain specialized information that the buyer does not have, potentially leading the buyer to make a decision they would not have made if they had known that information.

The pioneering work in this area was by Akerlof (1970), who examined the behaviors of buyers and sellers in the business realm, rejecting the perfect information hypothesis in favor of a more realistic assumption. It can be challenging to obtain reliable information about a product before purchasing. Similarly, according to Spence (1973), information asymmetry occurs in the job market. Spence suggests that candidates have a better understanding of their abilities than employers do, so the information signals that assist companies in deciding whether to hire candidates include the candidate's education – particularly their degrees and certifications – and the employer's probationary period.

More recent studies have continued to explore the implications of asymmetric information. For instance, the research by Grossman and Stiglitz (1980) questioned the classic financial asset pricing model (CAPM) by Sharpe (1964). They argued that information is not free, in contrast to Sharpe's assumption, and that information has monetary value. As a result, asymmetric information leads to inefficient markets.

In recent years, the exploration of asymmetric information has expanded to include digital markets and the role of big data. Stiglitz (2017) further delved into the economic implications, emphasizing that information asymmetry is a significant factor in market failure. Digital platforms often exacerbate information asymmetry by collecting vast amounts of data from users while providing limited transparency in return (Acemoglu et al., 2020).

Asymmetric information is seen as a contributing factor to market failure, where markets are unable to achieve an efficient allocation of resources. Asymmetric information can arise in two situations:

Lack of information: This situation may occur when the information is either non-existent or not gathered.

Presence of incomplete, incorrect, untimely, or hard-to-access information.

The causes of asymmetric information can be both objective and subjective. Objective causes stem from the limitations in transmitting and updating information due to market inefficiencies. Subjective causes result from a lack of effort and interest in seeking out information from market participants. The extent of information asymmetry mirrors the level of market efficiency.

Additionally, market participants may intentionally withhold information to gain advantages in transactions. For instance, recent research by Biais et al. (2019) highlights how strategic information disclosure and concealment play a role in financial markets, influencing market outcomes and efficiency.

Most prior studies have defined governance in the context of board characteristics, such as the number of independent board members (Ashbaugh-Skaife et al., 2006; Larcker et al., 2007). Moreover, Cormier et al.'s (2010) research shows that specific formal monitoring characteristics, such as board size and audit committees and the extent of voluntary disclosure of governance information, reduce information asymmetry. However, evidence suggests that voluntary disclosure of governance practices can comprehensively enhance corporate governance, especially regarding transparent executive compensation practices (Craighead et al., 2004).

Although there are diverse theories relating to corporate governance like Transaction Cost Economics, Political Theory, Managerial Hegemony Theory, and Behavioral Theory, by employing the above theories, the thesis can provide a robust and multidimensional framework for corporate governance that addresses the primary concerns of various governance dimensions—managerial behaviour, resource management, and stakeholder engagement. This approach ensures a well-rounded understanding and implementation of corporate governance practices, making additional theories supplementary rather than essential (Freeman et al., 2010).

Operating on a principle-based approach, the thesis leverages agency, resource-dependent, asymmetric, and stakeholder theories to ensure a thorough and all-encompassing perspective in implementing corporate governance practices. This approach underscores the supplementary yet non-essential nature of additional theories within corporate governance.

Therefore, to mitigate information asymmetry, many researchers and international organizations like the OECD advocate for establishing Corporate Governance Transparency Systems (CGTS) to create multidirectional streams of public and transparent information (financial, raw materials, etc.) between the company and its stakeholders. This aids in reducing conflicts of interest among stakeholders. Furthermore, researchers acknowledge that the quality of CGTS is a crucial factor in attracting external funding to maintain high growth rates and reduce information asymmetry between internal stakeholders (shareholders and managers) and external stakeholders (investors and related parties) (Cheung et al., 2010). Thus, to control corporate managers, two mechanisms are proposed: an internal mechanism that strengthens the board of directors by inviting additional independent members from outside the company and enhancing their supervision, rewards, inspection, and dismissal, and an external mechanism, such as increasing market pressure on the company's stock and the labor-market-manager market, making managers understand that if they do not focus on maximizing benefits for shareholders, they will pay a higher price than the income they gain.

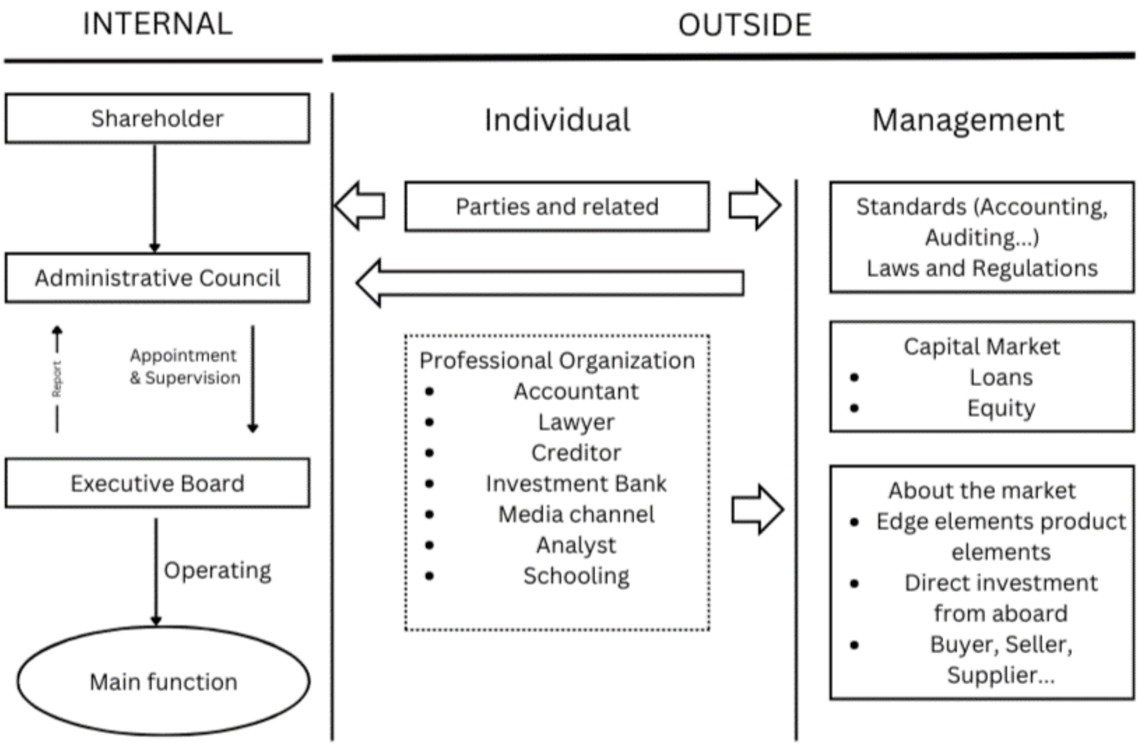
2.3. The Ultimate Guide to Corporate Governance: Components, and Benefits

Corporate governance is a representative corporate management mechanism (Mead, 1928; Jensen & Meckling, 1976). Within a corporation, corporate governance activities involve the Board of Directors, Board of Management, shareholders, and other stakeholders. On a broader scale, the corporate governance framework, as described in the Millstein Report, encompasses legal requirements, regulations, listing standards, and voluntary practices. Proactive adherence and voluntary incorporation of these elements can enhance capital mobilization efficiency, operational effectiveness, profitability, legal compliance, and alignment with societal expectations (OECD, 1998).

Jensen introduced a model comprising four key factors influencing corporate governance within enterprises: economic characteristics and legal framework, product and supply market dynamics, capital markets, and internal governance elements (Jensen, 1993). Economic characteristics and the legal framework emphasize private ownership structures and a tendency to minimize regulatory constraints on business operations. According to Jensen (1979), the presence of a market enabling the unrestricted transfer of shares, in conjunction with private ownership, plays a pivotal role in promoting the application of corporate governance principles. The product and input supply markets determine a company's scale and operational direction, while the capital market encompasses mergers and acquisitions and the stock market. Lastly, internal governance factors include ownership structure, the Board of Directors, and mechanisms for coordinating relationships among company stakeholders.

In summary, the primary factors influencing corporate governance activities in enterprises can be categorized into two main groups: internal and external factors. Figure 1 provides an overview of the components of the corporate governance system within an enterprise.

Figure 2.1: Diagram of factors in the CG system



Source: Center for International Private Enterprise (CIPE, 2009)

* Professional organizations representing the private economic sector, self-regulatory units, media and social communities help reduce information asymmetry, improve corporate supervision mechanisms and limit profiteering practices.

2.2.1 The role of each entity

Figure 2.1 depicts the factors within a corporate governance (CG) system, categorized into internal and external entities. Below is a brief description of the role of each entity in creating, maintaining, and monitoring the quality of corporate governance of joint stock companies on the stock market, specifically as follows:

Market regulatory

Market regulatory play a pivotal role in establishing a legal framework and disseminating mandatory standards for corporate governance, accounting and auditing, information disclosure, transaction oversight, and addressing complaints and bankruptcy issues. These measures are designed to safeguard the interests of both shareholders and investors operating within the market. According to recommendations by the OECD, regulatory bodies are tasked with maintaining a robust corporate governance framework that incorporates legal components, self-regulatory agreements, voluntary commitments, and business practices that align with the historical and cultural context of each nation (OECD, 2015). Striking a harmonious balance between legal requirements and voluntary practices is crucial to ensuring the effective implementation of corporate governance principles within businesses.

Market Organizations

Market organizations serve as independent oversight entities for assessing the quality of corporate governance and management in enterprises. Each type of organization enhances the quality of corporate governance in various aspects. Independent auditing firms assist in verifying the reasonableness of financial reports. Credit rating agencies play a crucial role in facilitating company bank financing access. Research and evaluation organizations serve as consultants, independently assessing the corporate governance practices of enterprises and offering recommendations to the board of directors to enhance the effectiveness of applying corporate governance principles within the company. Further details regarding specialized market organizations will be discussed in Chapter II concerning the Current State of Corporate Governance Activities in the Vietnamese Stock Market.

Enterprises (Boards of Directors and Management Boards)

Boards of Directors (BoD) play a central role within the corporate governance framework. The BoD is responsible for directing and formulating the company's strategy and business priorities, including annual business and financial plans, as well as supervising the activities of the Management Board. The BoD operates in the interest of the company, safeguarding the rights of all shareholders, overseeing the performance of the CEO and Management Board, and crucial financial control systems. An independent, professional, and efficient BoD is critical in effectively implementing corporate governance measures. Additionally, to support effective corporate governance within the company, the BoD of State-Owned Enterprises (SOEs) may establish subcommittees such as the Audit Committee, Development Policy Committee, Human Resources Committee, and Remuneration Committee.

The roles of the CEO (or General Director) and the Management Board in corporate governance activities are also significant. The Board of Directors typically comprises the CEO and senior executives of the company. The Management Board is responsible for managing the company's day-to-day business operations. The CEO is usually the legal representative and is accountable to the BoD. Legal regulations, the company's charter, internal regulations, and contracts between the

CEO and the company govern the authority of the CEO, the selection process, and the relationships between the CEO/Management Board and other governance entities within the company.

Shareholders

The General Meeting of Shareholders (GMoS) of a Joint Stock Company (JSC) is the supreme decision-making body within the company's governance structure. All common shareholders have the right to attend the GMoS and possess voting rights proportional to the number of common shares they hold. The GMoS typically makes decisions on significant matters affecting the company. The GMoS approves personnel appointments to the Board of Directors (BoD) and the Supervisory Board (if applicable). Furthermore, the GMoS approves the annual reports, financial statements, profit distribution (including dividend payments), changes to the charter capital, amendments and supplements, reorganization and dissolution, and particular transactions. Consequently, the GMoS plays a critical role in establishing the corporate governance system within the company.

Moreover, shareholders in a JSC are the capital providers to the enterprise in the form of equity capital. According to Shleifer and Vishny (1997), the ultimate goal of capital providers, including shareholders or creditors, such as bank lenders, is to receive returns commensurate with their invested capital. Therefore, from creditors' perspective, returns take the form of interest on loans or bond yields. From the perspective of shareholders contributing to equity investment, returns manifest as annual dividends and fluctuations in stock prices. Capital providers, especially shareholders, need to be shielded from risks associated with stock prices and company operations to the maximum extent possible.

Stakeholders

Stakeholders in corporate governance are defined as individuals and organizations that influence a company's production and business activities and consequently benefit from and bear risks when the company faces issues (Post et al., 2002). Since the concept of corporate governance emerged in academic discourse, questions have arisen regarding whom corporate governance activities should represent: solely the interests of shareholders or all parties related to the company's operations (Becht et al., 2005).

The debate on the responsibilities and duties of companies started as early as the 1930s, notably between Adolf Berle and E.M. Dodd (Wells, 2010). Berle asserted that "the power of corporate governance should serve no one but the shareholders' interests." On the other hand, Dodd argued that "a company should not operate solely in the interest of the owners. Society has the right to demand that a company balances the interests of workers, customers, and owners." Berle later opposed this viewpoint, suggesting that companies having additional responsibilities to other stakeholders would exacerbate the separation of ownership and control, ultimately harming shareholder rights protection (Macintosh, 1999). Berle & Means also contended that the interests of other stakeholders, such as labor or customers, are ensured through market supply-demand mechanisms (Berle & Means, 1932).

By the 1980s, Freeman and McVea formally discussed the role of stakeholders in shaping a company's strategy. Freeman & McVea (1984) argued that stakeholders play a vital role in ensuring a company's sustainable growth, thereby indirectly impacting shareholder interests. In line with this perspective, Williamson (1984) emphasized the close linkage between stakeholder interests and a company's success. Furthermore, stakeholders would suffer significant losses in the event of a company's bankruptcy, as seen with laborers. Therefore, corporate governance activities should balance the interests of these stakeholders.

Today, various international corporate governance principles, including the OECD Corporate Governance Principles (OECD, 2015), have acknowledged and addressed the role of stakeholders in the corporate governance process. These corporate governance principles assert that companies cannot operate efficiently if they disregard the interests of stakeholder groups. However, prioritizing stakeholders' interests over shareholders would jeopardize a company's long-term competitiveness.

Moreover, stakeholders play a role in ensuring the inflow of capital from external sources into the company, encouraging these groups to invest in the company's human and physical capital, which yields societal benefits. A company's competitive capabilities and success result from aggregating and efficiently allocating resources from various resource providers, including investors, laborers, creditors, and suppliers. Companies must be aware that stakeholders' contributions create a valuable resource for building competitive and profitable companies. Therefore, companies should promote beneficial collaboration among stakeholders and establish a corporate governance structure that considers these interests, recognizing the significance of stakeholder rights for long-term company success.

2.2.2 Fundamental Elements of an Effective Corporate Governance System

Scholars and researchers worldwide have provided various definitions of "good corporate governance." Magdi and Nadereh (2002) emphasize that "good corporate governance" ensures that a business operates effectively and that investors receive fair returns. Previous studies by the OECD

(1999) provide a more comprehensive definition of "good corporate governance," encompassing a governance system where companies are directed and controlled most efficiently. This includes clearly defining and allocating rights and responsibilities among various stakeholders within the company, such as the Board of Directors (BoD), Management Board, shareholders, customers, and employees. It also involves establishing rules and procedures to make business decisions quickly and optimally. In this way, companies can build a "good corporate governance" system that aligns business objectives, achieves them, and ensures effective monitoring processes (Wolfensohn, 1999; Uche, 2004; Akinsulire, 2006).

Shleifer and Vishny (1997) suggest that "good corporate governance" relates to ensuring financial providers (shareholders, creditors) receive returns on their investments and that management does not misuse capital for purposes contrary to the interests of financial providers. Therefore, "good corporate governance" is also considered an effective "loss prevention" tool when a company's assets can potentially be mismanaged by top-level management or the BoD for personal gain. Mensah (2003) argues that a "good corporate governance" system is a disciplined and effective model for monitoring the activities of CEOs.

Based on the definitions above, a "good corporate governance" system is a management and control system for a business that meets the strategic objectives of all relevant stakeholders while adhering to legal, ethical, and societal requirements. To achieve this, essential elements that can directly impact and influence a company's "good corporate governance" system are the quality of the BoD, shareholder structure, and the legal framework. When the legal framework is well-established, the BoD operates efficiently and objectively, and there is diversity and proactiveness in the shareholder structure, it leads to the assurance of equal treatment and protection of the rights and interests of shareholders and related parties, transparent disclosure of information, and minimization of violations.

Board of Directors

The Board of Directors (BoD) not only holds responsibilities towards the business and shareholders but also has to act in the best interests of shareholders. In addition to formulating strategies and providing appropriate guidance for the business, the BoD primarily oversees management activities, delivers reasonable profits to shareholders, and prevents conflicts of interest while balancing the demands of related interested parties. Furthermore, the BoD must consider and fairly address stakeholders' interests, including employees, creditors, customers, suppliers, and the local community. Another critical duty of the BoD is supervising risk management systems and ensuring that the company complies with relevant laws and regulations.

For the BoD to effectively fulfill these responsibilities, it must (i) ensure sufficient personnel and resources, (ii) maintain independence from the Management Board, (iii) exercise independence in decision-making, (iv) possess professional expertise, and (v) ensure diversity (Godard, 2002; Mak & Li, 2001; O'Sullivan, 2000; Prevost et al., 2002; Yermarck, 1996).

Board Size and Resources

The size of the Board of Directors (BoD) is a crucial factor that influences the supervision and decision-making processes of the BoD, thereby enhancing the efficiency of a company's operations. International best practices have emphasized that the size of the BoD significantly affects the extent, scope, and effectiveness of the oversight function over the Management Board, the degree of control, and the decision-making processes of the BoD.

There is no universal provision regarding the optimal size of the BoD; it depends on each country's specific regulations. Having many BoD members comes with challenges in effectively utilizing them and ensuring each member makes appropriate contributions. John and Senbet (1998) argued that as the size of the BoD increases, coordination becomes more cumbersome, decision-making takes longer, and the BoD may easily influence the decisions of the Management Board. Additionally, a large number of BoD members can lead to functional disruptions, difficulties in transmitting information, data, and opinions within the BoD, and reduced ability to focus on effectively supervising the Management Board's activities (Lipton & Lorsch, 1992).

Conversely, if the BoD has fewer members, it faces difficulties when the workload becomes overwhelming, leading to work pressure on individual members and reduced efficiency in decision-making and supervising the Management Board (Babatunde & Olaniran, 2009). The Agency Theory also argues that a larger BoD with more members working towards the interests of various stakeholders is beneficial. Meanwhile, the Resource Dependency Theory posits that a larger BoD brings more expertise, experience, and external networks in various fields to enhance the core functions of the BoD.

Surveys and research indicate no one-size-fits-all optimal BoD size for businesses in different industries, organizational structures, and legal frameworks. The trend suggests that the size of the BoD increases with the size of the company. The ASX Corporate Governance Principles and Recommendations (2014) recommended: "The BoD should have enough members to meet the business's needs, and changes in the BoD's composition and sub-committees can be implemented without disrupting the BoD's operations. However, the BoD size should not be too large, which may lead to inefficiencies."

According to a dissertation by The Corporate Library, LLC, the average BoD size is 9.2 members, with most boards having between 3 and 31 members. The Australian Institute of Company Directors' guidelines suggest that large ASX-listed companies have 8-12 BoD members, medium-sized companies have 6-8, and small companies have 4-6 members.

Similarly, a Deloitte survey in year 2014 of 250 companies found that 45% of surveyed companies had BoDs with 9-11 members. An interesting point is that BoD size is related to the company's size; as a company's market capitalization increases, the BoD size tends to increase (Deloitte, 2014). Most small-cap companies have BoDs with 7 members, mid-cap companies with 9, and large-cap companies with 11 members. Most financial and non-financial companies have BoDs with 9 to 11 members.

Jesnen (1993) recommended that the most efficient BoD size should be around 7-8 members. A size more extensive than this could increase costs and reduce efficiency. To explain Jesnen's (1993) recommendation, some researchers argue that a company needs two critical BoD sub-committees: (1) a Compensation Committee and (2) an Audit Committee. The minimum number for each sub-committee is 3 members. This means that a minimum of 6 BoD members is required to ensure that no member participates in both sub-committees. Having members serve on multiple sub-committees can create conflicts of interest, and members serving on multiple sub-committees may need more time to fulfill their duties. The seventh member is the Chairman of the BoD. It is the Chairman's responsibility to ensure the smooth and effective operation of the BoD, that the Management Board is fulfilling its duties, and that the BoD's directives are being followed.

Many companies have more than two sub-committees under the BoD to support their operations. If the company's business model permits, many corporate governance principles from different countries recommend establishing BoD sub-committees, such as Audit Committees, Nominations Committees, and Compensation Committees. The OECD Corporate Governance Principles, revised in 2015, recommend establishing Audit, Compensation, and Risk Committees. The ASX Corporate Governance Principles and those in the U.K. emphasize the importance of Audit and Compensation Committees. The New York Stock Exchange requires every listed company to establish an Audit Committee.

In contrast, financial and non-financial companies in the United States and Europe often establish Investment Committees. According to Deloitte's 2014 Board Practices Report, nearly half of the

250 surveyed U.S. companies had established Compensation Committees, with a higher prevalence among large-cap (60%) and non-financial service companies (52%). Only 4% of companies had committees related to cybersecurity and information technology.

In cases where establishing BoD sub-committees aligns with the company's size and the BoD's structure, sub-committees can significantly reduce the workload and improve the efficiency of the BoD's operations (Harrison, 1987).

Independence

As previously discussed, the Board of Directors (BoD) composition is fundamental to establishing a good and effective corporate governance system. BoD members must perform objective and independent analyses and evaluations. Therefore, the presence of independent BoD members is particularly crucial to ensure that the BoD operates independently, effectively supervises, and safeguards the interests of shareholders (Fama & Jensen, 1983). Additionally, independent BoD members can provide an objective perspective when formulating corporate strategies, evaluating the effectiveness of Management Boards, and making critical business decisions independently. In some countries, companies find it helpful to delineate the BoD and the Management Board's responsibilities (OECD, 2015).

The diversity of BoD structures, ownership forms, and practices in different countries leads to various approaches to BoD independence. According to the definition in the Australian Institute of Company Directors' guidelines, "Independence refers to BoD members having true independence of mind in their role as BoD members, and at a minimum, does not include members lacking independence structurally (such as executive BoD members, major shareholders, or their representatives and entities with related rights), but without impairing the values that those members can contribute to the BoD." The ASX Corporate Governance Principles and Recommendations (2014) provided the following definition: "To describe a BoD member as 'independent,' there must be a clear and transparent indication that the member has no material relationship with the executive directors, major shareholders, or other related parties and can make independent judgments on issues related to the company before the BoD."

The UK Corporate Governance Code has relatively straightforward exclusion criteria for assessing the independence of BoD members (Financial Reporting Council, 2018), including whether a BoD member has:

- An employee of the company or group within the past five years

- A direct and material business relationship with the company as a partner, shareholder, director, senior executive, or with any related parties within the past three years
- Received or receives additional fees from the company beyond BoD fees, participates in stock option programs for company employees, or is a member of the company's pension scheme
- Close family ties with the company's advisers, directors, or senior employees
- Other significant relationships with BoD members or senior management through membership in the BoD of other companies
- Having the position of BoD member for more than nine years since the appointment

In general, international standard definitions of independence require BoD members not to hold executive positions within the company and not to have economic, familial, or significant relationships with individuals holding executive positions in the company. Additionally, they must be independent of controlling shareholders, related parties (creditors, customers, consulting firms), and/or not hold a certain percentage of the company's shares. These requirements may vary slightly among different countries' regulations; however, these requirements aim to ensure that independent BoD members have the capacity and willingness to make independent professional judgments.

Independence from the Executive Board

When discussing the independence of the Board of Directors (BoD), scholars often refer to two factors that directly influence the independence of the BoD: (i) the Chairman of the BoD concurrently holding the CEO position and (ii) the ratio of BoD members who are independent, non-executive members, and executive members.

Based on the Agency Theory, as proposed by Levy (1981) and Dayton (1984), the Chairman of the BoD concurrently holding the CEO position creates potential conflicts of interest between the BoD, the Executive Board/Management, and other levels of management within the company. This is because the roles and responsibilities of the Chairman of the BoD and the CEO need more separation, reducing the supervisory role of the BoD over the Management Board. Most good corporate governance practices worldwide express a similar view that the positions of Chairman of the BoD and CEO should be separated (such as the Corporate Governance Principles of the UK, Australia, Taiwan, Malaysia, Switzerland, etc.). The Chairman provides leadership, sets strategic directions for the BoD, and monitors the Board of Directors. At the same time, the CEO/Managing Director leads and manages the company's day-to-day operations, implements the BoD's directives, and is subject to the BoD's oversight. Therefore, there are significant conflicts of interest in the roles and responsibilities of these two positions.

Although international norms and regulations require the separation of these two positions, statistics show that some companies do not adhere to this practice. According to Deloitte's 2014 survey of 250 publicly-listed companies, 11% of large-cap companies had a Chairman of the BoD concurrently holding the CEO position (Deloitte, 2014). This percentage was 20% for mid-cap companies and 25% for small-cap companies. Furthermore, 25% of financial industry companies had a combined Chairman and CEO, while non-financial companies had a 15% rate of combined positions. According to statistics from The Wall Street Journal concerning the S&P500 index at the end of 2016, nearly 50% of the companies in the index had Chairmen of the BoD concurrently serving as CEOs, with 20% of the companies having Chairmen of the BoD who had previously been CEOs (The Wall Street Journal, 2016).

International standards vary in different countries regarding the ratio of independent BoD members, non-executive members, and executive members. Some international standards do not specify a particular ratio. For example, the UK Corporate Governance Code (Financial Reporting Council, 2018) suggests that the BoD should have a suitable proportion of executive and non-executive members, particularly independent non-executive members, to ensure that no individual or group can unduly influence the BoD's decisions. Similarly, the G20/OECD Corporate Governance Principles recommend that the BoD consider appointing a sufficient number of non-executive BoD members capable of making independent judgments on potential conflicts of interest.

Some principles and regulations provide specific ratios. For instance, the Australian Corporate Governance Principles (ASX Corporate Governance Council., 2014) recommend that the ratio of independent BoD members should be substantial. The Association of Chartered Certified Accountants (ACCA, n.d) suggests that "a BoD with more non-executive members than executive members is recognized as a good corporate governance practice." Regulations in South Korea, India, Japan, and Singapore require listed companies to have at least 1/4 (South Korea) or 1/3 (India, Japan, Singapore) of the BoD members as independent members. US banking regulations require that a majority of the BoD members be independent. The NYSE and NASDAQ added listing requirements in 2013, which stipulated that the BoD of listed companies must consist of most independent members.

Some opinions, such as those expressed in Australian Securities Exchange. (2014), suggest that (i) at least 50% of the BoD members should be non-executive members; (ii) if the Chairman of the BoD is a non-executive member, then at least 1/3 of the BoD should comprise independent directors; and (iii) if the Chairman is an executive member, then independent members should constitute at least half of the BoD.

According to The Wall Street Journal's statistics for the S&P500 index at the end of 2016, 491 out of 500 companies had a ratio of independent BoD members exceeding 50%, with three companies having fully independent BoDs .

Professional Experience

In addition to ensuring their independence, members of the Board of Directors (BoD) must be able to provide valuable expert assessments and make crucial decisions that steer the business. To achieve this, board members should possess the appropriate professional skills and experience in line with the requirements set forth by the business and its shareholders.

International corporate governance standards all make recommendations regarding the need to ensure diversity and suitability in the professional skills and experience of BoD members. The Corporate Governance Principles and Recommendations of the ASX (ASX Corporate Governance Council., 2014) state: "A listed entity should have and disclose a 'skills matrix' that sets out the mix of skills and diversity that the board currently has or is looking to achieve." Section C.3.1 of the UK Corporate Governance Code specifies that at least one member of the Audit Committee, a sub-committee of the BoD, must have financial expertise, and all BoD members within this sub-committee must possess relevant professional knowledge related to the industry in which the business operates. Similarly, the Corporate Governance Principles of Malaysia require that all members of the Audit Committee must have deep knowledge of finance and accounting, along with the ability to provide opinions on the reasonableness and truthfulness of the company's financial statements. The Corporate Governance Principles of Taiwan recommend that the board member overseeing the Audit Committee hold a Certified Public Accountant credential.

Survey statistics in Deloitte's 2014 Board Practices Report indicate that businesses often expect their Board of Directors (BoD) members to have specific professional skills and experiences to contribute effectively (Deloitte, 2014). include: (1) experience in the industry relevant to the business; (2) executive-level professional skills (e.g., CFO, CEO, COO, CIO, or CTO); (3) international market operational experience; and (4) expertise in risk management.

Diversity

In addition to the aspects of independent executive and non-executive roles, diversifying the Board of Directors (BoD) structure also includes factors such as gender, ethnicity, and age diversity among board members. Diversity within the composition of the BoD continues to attract attention, not only from investors but also from organizations such as Catalyst, 30% Coalition, 2020 Women on Boards, and the Alliance for Board Diversity, all of which are committed to increasing the representation of women and minority groups on corporate boards.

Research has shown that gender and age diversity are associated with better financial performance (Reibey Institute, 2011). Promoting diversity in gender, ethnicity, and age can broaden the pool of high-quality BoD candidates, enhance employee retention, foster stronger connections and a deeper understanding of customers, and improve the company's image and reputation. While there is limited research on the impact of board diversity on corporate governance quality, organizations like Catalyst and the 30% Coalition have indicated that female board members have a different perspective than male members. Additionally, younger board members bring a different motivation and contribution level than their more experienced counterparts. Similarly, corporate governance principles in developed countries like the UK, Australia, and Switzerland all include recommendations related to diversifying the composition of the BoD.

Deloitte's 2014 survey statistics reveal that approximately one-fourth of the 250 surveyed public companies reported having women comprise 26% to 50% of their Boards of Directors (BoDs), up from 18% in 2012. This increase was particularly notable in large and small-cap companies, as well as in financial services firms. A similar but smaller trend was observed for the representation of minority board members (Deloitte, 2014)..

According to Wall Street Journal statistics from 2016, women accounted for approximately 20% of total board members in S&P500 companies. Nearly three-quarters of the BoDs had at least two female directors, a significant increase from a decade earlier. However, the United States still lags behind many European countries, including Norway, where over one-third of board members are women. Women hold over half of the BoD positions in three major companies: Navient, Michael Kors, and Tegna**.**

Shareholder Structure

There is no one-size-fits-all ownership model to create the best corporate governance system; however, each ownership structure results in variations within the corporate governance system.

Many studies have indicated that a company's corporate governance system differs depending on its ownership structure. A dispersed ownership structure results in shareholders owning a few shares, concentrating power among operational personnel (Berle & Means, 1932). A dispersed ownership structure is typical in countries with a Common Law system, such as the United States and the United Kingdom, where corporate governance relies on complex legal systems designed to protect shareholders. Generally, voting on critical internal matters, such as appointing board members and other issues (such as asset sales and mergers), is the primary means of exercising shareholder rights in the Anglo-Saxon system. Thus, enhancing voting rights is crucial in this corporate governance system.

Conversely, companies with a concentrated ownership structure have large shareholders, and the activities of the Board of Directors (BoD) are influenced by controlling shareholders or creditors. Concentrated shareholding structures are prevalent in countries where the costs for shareholders to exercise control and manage cash flows are substantial. Large shareholders enjoy economies of scale. This ownership model is standard in European and Japanese companies (La Porta et al., 1999). While controlling shareholders can reduce agency problems (issues arising when property owners do not manage directly and hire managers), deficiencies in legal and managerial frameworks can lead to exploiting other shareholders in the company (OECD, 2015).

On another note, individual and institutional shareholders also impact a company's corporate governance system differently. For example, in companies with dispersed ownership, the number of shares owned by individual shareholders may need to be bigger for them to invest the time and resources in monitoring the company's activities. Additionally, if small shareholders invest resources in such activities, other shareholders may benefit without contributing (they are "free riders"). This reduces the monitoring incentive. However, this is not an issue for institutional shareholders, especially financial institutions that operate on an agency basis, when deciding whether to increase their shareholdings in a company or diversify their portfolios.

Nevertheless, other costs associated with owning a significant number of shares in a company may remain high (OECD, 2015). In recent years, many countries have paid more attention to the role of institutional investors in improving the quality of corporate governance systems. With the advantage of owning a large amount of shares and having the potential to impact the BoD and the company's management, institutional investors are expected to change corporate governance practices. A common practice many countries adopt is the issuance of Principles of Institutional Investor Responsibility to encourage institutional investors to play a more active role in corporate governance, including exercising voting rights.

Domestic and foreign shareholders also impact a company's corporate governance system differently. OECD's 2011 report indicates that foreign investors in many countries do not exercise voting rights for their shares. This is particularly evident in nations where foreign ownership is substantial. Cross-border voting barriers increase the cost of exercising voting rights. Furthermore, foreign institutional investors may need more complete information about foreign companies in their portfolios. One solution to this problem is proxy voting, although this approach raises other concerns, such as conflicts of interest (OECD, 2011). Nowadays, many countries have implemented various practices to facilitate foreign and minority shareholders exercising their shareholder rights, such as eliminating voting obstacles for foreign voting, sending notice of shareholders' meetings early, using modern technology to facilitate foreign investors' voting, and more.

State shareholders and institutional investors share many similarities in terms of power and resources. However, state shareholders and institutional investors have different objectives, which can affect corporate governance differently. State shareholders typically have more substantial financial capabilities than institutional investors. In most developed economies, the government can use its credibility to ensure that state-owned enterprises can access financing (Borisova & Meggison, 2011). This advantage can reduce the monitoring incentive, potentially leading to agency issues.

Additionally, the government can enact regulations that positively or negatively affect companies, potentially leading to closures. The government also has an advantage in accessing company information compared to other shareholders through legal systems or other legal measures. However, the investment goals of the government are diverse, ranging from seeking profits to reducing unemployment, increasing tax revenue, or macroeconomic stability (Borisova et al., 2012). As controlling shareholders, state shareholders can misuse their voting rights to make critical decisions at shareholder meetings without the approval of minority shareholders, affecting the interests of other shareholders. Furthermore, state shareholders may pursue political and policy objectives using minority shareholders' resources. Research by Borisova et al. (2012) has shown that state ownership generally hurts corporate governance, as the state's primary goal is not necessarily to maximize the company's value. Moreover, research has also found that state ownership harms corporate governance by reducing the number of subsidiary boards increasing power for the CEO, implying that the state intends to control the company by concentrating power within it.

Thus, the impact of state shareholders on the corporate governance system may vary depending on the government's objectives. In order to address this issue, some countries have established specific regulations or guidelines for state-owned enterprises to ensure that the rights of minority shareholders are not violated. In Vietnam, the 2014 Enterprise Law stipulates that for a joint-stock company where the state holds more than 50% of the total voting shares, the Chairman of the Board of Directors is not allowed to concurrently serve as the CEO or General Director, while other joint-stock companies may allow this if permitted by their charters (Article 152 of the 2014 Enterprise Law). In Denmark and Spain, minority shareholders of state-owned enterprises are elected representatives to participate in the Board of Directors. In Italy, minority shareholders of all listed state-owned enterprises benefit from preferential treatment in appointing the Board of Directors through cumulative voting systems. In Sweden, for listed companies, the nomination committee consists of the four to five largest shareholders, who discuss the nomination and remuneration of the Board of Directors, among other matters (OECD, 2005).

Other Influencing Factors

While there is no universally optimal corporate governance model, several fundamental factors play pivotal roles in effective corporate governance. Hence, a business's corporate governance framework can be assessed by evaluating these fundamental factors, which are outlined as follows:

Shareholder Rights

The framework of Corporate Governance (CG) must safeguard and facilitate the exercise of shareholders' rights and ensure fair treatment of all shareholders, including minority and foreign shareholders (OECD, 2015). In addition, all shareholders must have effective avenues for redress in case their rights are violated. Therefore, companies that effectively uphold shareholder rights exhibit the following characteristics:

- **Protection and Facilitation of Shareholder Rights**

One of the fundamental aspects of CG, the separation of ownership and management, can lead to the vulnerability of shareholder rights (Fama & Jensen, 1983). Hence, CG systems are constructed to shield shareholders, the company's ultimate owners, from infringements on their rights by representatives. Any barriers hindering the exercise of shareholder rights must be eliminated (OECD, 2015).

Shareholder rights substantially impact crucial company matters such as electing board members, amending key company documents, approving extraordinary transactions, and other fundamental issues defined by corporate laws or internal regulations (Cadbury, 1992). These rights are enshrined in legal documents in most countries (Mallin, 2016). Additionally, depending on norms and practicalities, countries may specify additional shareholder rights, including the right to approve or appoint auditors, directly nominate board members, pledge shares, vote on executive compensation, and approve transactions with related parties (Becht, Bolton, & Roell, 2011).

Shareholder rights must be clearly defined in a company's charter and provide comprehensive information about the rights of each class of shares for shareholders. Any changes in shareholder rights must receive shareholder approval (Gompers et al., 2013). Extending shareholder rights is also a hallmark of good CG, such as lowering the threshold percentage of total assets for particular transactions requiring shareholder approval.

- **Enabling Shareholder Participation and Voting at General Meetings**

General meetings are where crucial corporate decisions are made (Tricker, 2015). Barriers set by management and controlling shareholders to prevent shareholder participation and voting at these meetings, such as charging fees for voting activities, not sending or sending meeting documents late, and voting by a show of hands, should be addressed (OECD, 2015). To address these issues, laws in many countries and international guidelines prescribe specific regulations/practices to maximize shareholder attendance and voting at general meetings, including:

Providing complete and timely information to shareholders about general meetings: Timely provision of information about general meetings facilitates shareholders' access to essential information before the meeting (Deloitte, 2020). A prevalent international practice is that the board of directors should provide information about general meetings to shareholders at least 21 days before the scheduled meeting date (Austrian CG Code, 2018). In terms of the quality of information provided to shareholders, a sign of effective CG is when a company sends all documents expected to be used during the meeting (based on the expected meeting agenda), such as draft resolutions of general meetings, reports to be approved at the general meeting, information about board nominees (if electing board members), etc. (OECD, 2015).

Removing obstacles to attending general meetings: The application of information technology to meeting organizations, allowing proxy voting and absentee voting, are methods for eliminating barriers to attending and voting at general meetings (IFC, 2014). This standard becomes more meaningful when the company's ownership structure has many foreign shareholders, a geographically dispersed shareholder base, or when foreign and institutional shareholders use proxy voting services, as it ensures a fair and inclusive decision-making process (World Bank, 2016). Another indication of effective CG is the issuance and public disclosure of specific guidelines on attending general meetings, which provide detailed instructions on the conduct and principles of general meetings and remote voting (Singapore CG Code, 2018)..

Respect for the agenda of general meetings and public disclosure of the results of general meetings: Changing or supplementing the contents of general meetings without prior notice to shareholders indicates that the company's CG system needs more transparency and effectiveness. Shareholders should be informed and provided with all relevant documents for discussion before the meeting starts (OECD, 2015). Timely public disclosure of the results of general meetings is also a sign of good CG practice. This includes specifying the voting percentages for each agenda item of the general meeting (ICGN Global Governance Principles, 2021).

Establishment and Public Disclosure of Complaint Mechanisms and Procedures:

Another sign of an effective CG system is the development and public disclosure of efficient complaint mechanisms and procedures to prevent shareholders from being deprived of their rights (Singapore CG Principles, 2018).. Evidence of an effective CG system is that companies build and regularly review policies related to shareholder complaints. These policies ensure mechanisms exist to support shareholder complaints, independent investigation mechanisms, and subsequent handling methods (IFC, 2014). These complaint support mechanisms should be publicly disclosed to make them accessible to shareholders (Singapore CG Principles).

- **Control of Conflicts of Interest**

Abusing transactions with related parties is a significant policy issue in all markets, mainly where ownership is concentrated, and corporate groups dominate (OECD, 2015). In practice, companies cannot avoid conducting transactions with related parties, and these transactions are not inherently wrong but need to be regulated to prevent potential conflicts of interest effectively (OECD, 2014). Most countries prescribe a certain value/threshold or percentage of transactions with related parties that require shareholder approval (IFC, 2012). Lowering these thresholds signals a solid commitment to shareholder approval for transactions with related parties (World Bank, 2016). Establishing and implementing an approval process is another good practice, including defining the thresholds that fall within the jurisdiction of the board of directors and the general meeting of shareholders (ICGN, 2021), explicitly prohibiting shareholders/board members with related interests from participating in any decision-making process related to these transactions, and disclosing fully to the board of directors any direct or indirect interests related to a particular transaction or issue that affects the company (Deloitte, 2020). After publicizing significant related-party benefits related to a specific transaction or issue, another good practice is that individuals should not participate in any decision related to that transaction or issue (E&Y, 2019).

Companies that want to control related-party conflicts effectively are encouraged to publicly disclose the number of such transactions and their value annually. Additionally, public disclosure should include any direct or indirect interests of the board of directors, the board of supervisors, or the executive board in these transactions (Singapore CG Code, 2018).

Equitable treatment of shareholders

In addition to ensuring shareholder rights, companies must ensure equitable treatment of shareholders, whether individuals or organizations, small or large shareholders, domestic or foreign and all shares of the same class have equal rights Huang & Watson, 2015. Good corporate governance standards demonstrate equitable treatment of shareholders by publishing information in English or other languages based on the company's shareholder structure, disclosing capital structure and control agreements (OECD, 2015), and allowing remote participation and voting at general meetings (European Commission, 2014). Some capital structures allow shareholders to have control rights disproportionate to their ownership stake (Becht et al., 2011). Pyramid structures, cross-shareholdings, and shares with restricted voting rights can be employed to reduce the impact on company policies by shareholders without control rights (La Porta et al., 2000).

Corporate governance norms often recommend restricting the issuance of preferential voting shares to mitigate such situations. Shareholders should typically have voting rights based on a "one-share, one-vote" mechanism (Cadbury, 1992). Restrictions on voting by certain shareholders should comply with legal regulations (South Korean CG Code; Korean Ministry of Justice, 2015). Lowering ownership thresholds to exercise shareholder rights is a typical corporate governance practice (Stout, 2012). For instance, shareholders or shareholder groups must own a threshold (10% following the Vietnamese Enterprise Law 2014) to propose changes to the general meeting's agenda, nominate candidates for the Board of Directors and Supervisory Board, or request an extraordinary general meeting under specific circumstances according to OECD Corporate Governance Factbook, 2019. Some countries require lower ownership thresholds for exercising these rights (Bebchuk & Hart, 2003). In South Korea, shareholders owning as little as 3% of voting shares can propose additional agenda items for the general meeting, request an extraordinary general meeting, and exercise other rights such as proposing election methods and requesting the court to remove a board member who violates commercial law or the company's bylaws without being removed at the general meeting (South Korean Commercial Act 2009). In the United States, shareholders or shareholder groups owning a minimum of 3% of shares have the right to nominate board members (Rule 14a-11 Facilitating Shareholder Director Nominations, 2016).

Ensuring the Rights of Related Parties

In addition to safeguarding shareholder rights, businesses must ensure equal treatment of all parties, whether individuals or organizations, large or small shareholders, domestic or foreign and all shares of the same class must have equal rights (Mailin, 2016). Good corporate governance standards indicate that related parties should be treated equally by disclosing information in English or other languages as per the company's shareholder structure, disclosing capital structure and control agreements, and allowing remote participation and voting in the General Meeting of Shareholders (GMoC).

The concept of "related parties of a business" was first introduced by the Stanford Research Institute in 1963, defining them as "a group of individuals/entities providing various forms of support to a business, without which the business cannot function" (Freeman, 1984). Since then, the concept of "related parties" has continued to evolve and is widely accepted by scholars, researchers, regulatory bodies, and market participants (Jones, 2015).

In the broader context of corporate governance, the rights of related parties are considered an essential factor in assessing a company's corporate governance quality, as the interests of related parties can be affected by or affect a company's operations. The main entities considered related parties include shareholders, employees, customers, suppliers, lenders, the community, and the government (Claessens & Yurtoglu, 2013).

A business with strong corporate governance respects the rights and contributions of related parties to its long-term development. Some good practices related to ensuring and respecting the rights of related parties include:

****OECD G20 Principles of Corporate Governance**:**

- Related parties must have the opportunity to lodge complaints when their rights are violated. Therefore, businesses must have a transparent and efficient procedure for receiving and handling complaints without hindering related parties from exchanging and lodging complaints when their rights are violated.

- Development of mechanisms to enhance the involvement of labor. For example, labor can elect representatives to the Board of Directors, or the company can establish a Labor Committee to consider labor's views on important decisions. In addition, mechanisms should encourage employee-share ownership programs or profit-sharing arrangements.

- When related parties participate in corporate governance processes, they must have timely and regular access to appropriate, complete, and reliable information.

- Related parties, including employees and organizations representing them, must be free to report their concerns about illegal or unethical activities to the Board of Directors and the relevant government authorities without retaliation affecting their rights.

****2014 Australian Corporate Governance Principles**:**

- Respect employees' human rights (e.g., by not using forced labor or child labor even when not prohibited by law).

- Create a safe and non-discriminatory workplace.

- Deal honestly and fairly with suppliers and customers.

- Act responsibly regarding the environment.

- Only transact with business partners with ethical and responsible business conduct.

****2012 Thai Corporate Governance Principles**:**

- Related company parties should be treated fairly within their legal rights. The Board of Directors should create mechanisms to promote cooperation between the company and related parties to create value, financial stability, and the company's sustainability.

- The Board of Directors should produce a separate corporate social responsibility (CSR) report or integrate sustainable development information into the company's annual report.

- Develop policies for screening suppliers and ensuring the quality of goods and services provided by the company.

In practice, ensuring the rights of related parties has received significant attention in many countries. According to the Global Reporting Initiative (GRI), 111 laws worldwide reference the criteria for protecting the rights of related parties developed and issued by GRI. Moreover, 74% of the world's largest 250 companies, 315 companies in the FT Europe 500 index, and 22 companies in the Bloomberg 50 index have issued sustainability reports following GRI standards. Developed countries such as Singapore, Hong Kong, Australia, the UK, and the US have legal regulations protecting the rights of related parties within their Company Law, Labor Law, or disclosure regulations.

Disclosure and tranparency

The corporate governance framework must ensure timely and accurate disclosure of all significant matters related to the company, including financial status, operations, ownership, and corporate governance (OECD, 2015). This is one of the most tangible factors when evaluating a company's corporate governance quality. An effective disclosure system enhances transparency and is crucial in allowing shareholders to have sufficient information to exercise their ownership rights (Tricker, 2021). Crucial information includes (i) financial results and the company's operational status, (ii) executive remuneration information, (iii) transactions with related parties, potential risks, and transactions with related parties, and (iv) corporate governance policies (Claessens & Yurtoglu, 2013).

- **Financial Information**

Audited financial reports represent the most widely used source of information about a company's economic efficiency and financial position (Gordon, 2021). Financial reports are essential for shareholders to monitor the company and are used as the basis for valuing securities (Eccles et al., 2014). In addition to full and timely disclosure of audited financial reports and quarterly financial reports, companies are encouraged to adopt international financial reporting standards to significantly enhance investors' ability to monitor companies by improving the relevance, reliability, and comparability of reports and investors' understanding of a company's operational efficiency (Bushman & Landsman, 2010). Furthermore, another corporate governance practice applied in several countries, such as Thailand and Malaysia, is the requirement for companies to disclose discussion and analysis reports by the Board of Directors on business trends, financial status, and operations of the company, qualitative and quantitative risk assessments, significant transactions the company has undertaken, and their impact on the financial and operational status of the company, or significant expenditures. These reports focus on providing insights from the Board of Directors rather than just financial figures, thereby enhancing investor confidence (Thailand's Corporate Governance Principles, 2021).

Ensuring the independence of financial reports is also an essential aspect of a good corporate governance system (Becht et al., 2011). To guarantee the independence of financial reports, businesses need to establish procedures for selecting competent and independent auditors. A good practice is that independent auditors should be introduced by the Audit Committee of the Board of Directors or an equivalent department and appointed by that committee or directly by shareholders. Companies should disclose information regarding the audit costs and non-audit benefits provided to the auditing entity along with their annual General Meeting of Shareholders materials (Malaysia's Corporate Governance Principles, 2021). To publicly demonstrate the independence of the auditing entity, good corporate governance standards encourage companies to fully disclose information regarding the audit costs and non-audit benefits for the auditing entity (Thailand's Corporate Governance Principles, 2021).

- **Executive Compensation Information**

A robust corporate governance system ensures transparency in information related to the compensation policies for members of the Board of Directors and top-level management (Mailin, 2016). This transparency allows investors to assess the costs and benefits of remuneration plans and contributions to incentive programs, such as stock incentive plans, concerning the company's operational effectiveness (OECD, 2015). Some countries also require companies to disclose annual reports, including policies on remuneration for executive directors, non-executive directors, and significant management personnel, business performance criteria associated with each short-term and long-term benefit, explanations, and disclosure of achievement criteria for executive directors and significant management personnel. Information on salaries and bonuses paid to non-executive directors is also included (Singapore and Australia's Corporate Governance Principles, 2021).

- **Information on Transactions with Related Parties**

To ensure that the company is operated in the best interest of all investors, the company must fully disclose significant transactions with related parties and the terms of each transaction to the market. Some countries distinguish related-party transactions by their materiality and terms to make disclosure more meaningful (Claessens & Yurtoglu, 2013). Regular disclosure of significant transactions is also required, except for frequent recurring transactions under market terms, which only need to be disclosed in periodic reports (Larcker & Tayan, 2020). To be more effective, disclosure thresholds may primarily rely on quantitative criteria. Specifically, in Malaysia, cases where the percentage of transactions with related parties is 0.25% or more must be disclosed to the Stock Exchange as soon as possible after the transaction terms have been agreed upon (Malaysia's Corporate Governance Principles, 2021). Suppose the percentage of transactions with related parties is 5% or more. In that case, they must be approved by the General Meeting of Shareholders, designating an independent adviser as the financial adviser to the company before the transaction terms are agreed upon (Gordon, 2021). Public companies must immediately disclose to the public if the actual value of the transaction exceeds 10% of the value stated in the resolution unless authorized by shareholders to waive public announcement requirements. In Singapore, public companies must immediately notify the Stock Exchange of any transactions with internal related parties that are equal to or exceed 3% of the net book value of the company's fixed assets in the company's most recent audited financial statements and exceed USD 100,000 (Singapore and Australia's Corporate Governance Principles, 2021).

- **Structure and Governance Policies Information**

In companies with a good corporate governance system, information about structure and governance policies is usually disclosed regularly (Gordon, 2021). In addition, other procedures and regulations that make up the company's corporate governance system should also be fully disclosed, such as the Articles of Association, Internal Corporate Governance Rules, Rules of Operation of the Board of Directors and its sub-committees, Remuneration and Appointments Committees, and Corporate Codes of Conduct (OECD, 2015). In countries that have issued Corporate Governance Principles and applied compliance or explanation mechanisms, disclosing.

Board of Directors' Responsibilities

As mentioned earlier, the Board of Directors (BOD) primarily bears the responsibility for effectively overseeing management and delivering reasonable returns to shareholders while preventing conflicts of interest among related company parties (Tricker, 2021). Additionally, the BOD needs to supervise the risk management system and systems in place to ensure the company's compliance with relevant laws and regulations (Larcker & Tayan, 2020).

A company with a "good corporate governance" system is one where the BOD performs its functions and duties objectively and effectively. In addition to the good practices regarding the structure and composition of the BOD detailed above, some good corporate governance practices for the BOD according to international standards include:

- **OECD's G20 Corporate Governance Principles**

    + When BOD decisions can affect different shareholder groups differently, the BOD must treat all shareholders equally.

    + Monitoring and addressing potential conflicts of interest involving the Executive Board, BOD, and shareholders, including misusing company assets and related-party transactions

    + To fulfill their responsibilities, BOD members must ensure access to accurate, relevant, and timely information, minimizing information asymmetry among executive and non-executive members.

  + Reviewing and guiding the company's strategy, basic operating plans, risk management policies and procedures, annual budgets, and business plans
  + Monitoring the effectiveness of corporate governance practices and implementing changes when necessary
  + Selecting, compensating, monitoring, and, if necessary, replacing key executives and overseeing succession planning.

- **Thailand's Corporate Governance Principles 2012**
  + The BOD should establish and issue written internal corporate governance policies for the company and regularly review these policies and compliance with them, at least annually.
  + The BOD must ensure that the company has a code of conduct that members of the BOD, executive directors, and employees understand and adhere to. The BOD should also closely monitor compliance with this code.
  + The BOD must ensure that an internal control system is in place, including financial controls and compliance controls. Additionally, the BOD should review these internal control systems annually and disclose the results of the system review in the annual report. The BOD should appoint an individual or department to audit and report on internal control system-related issues independently.
  + The annual report should include a statement from the BOD or the audit committee regarding the adequacy of the internal control system and the company's risk management system.

- **Singapore's Corporate Governance Principles 2012**
  + The BOD should conduct an annual assessment of the effectiveness of the BOD as a whole and its committees, including the contributions of individual members to the effectiveness of the BOD.
  + Companies should have policies allowing the BOD to seek independent advice when needed regarding regulations they must comply with and factors they need to consider in fulfilling their loyalty and care duties. The company should bear the costs of seeking advice.

- **Switzerland's Corporate Governance Principles 2014**

+ The BOD should implement a policy that prohibits members of the BOD, Executive Management, and Executive Committee from trading in company shares during sensitive periods, such as before the announcement of repurchase or merger plans, before General Meetings, or during the period from the end of the financial year to the publication of the financial statements (quarterly, semi-annually, annually).
+ The BOD should establish an orientation program for newly appointed BOD members. For BOD members new to committees, the training program should also include descriptions of the committee's work and skill requirements.
+ BOD members should inform the BOD of any potential conflicts of interest during their term. When a conflict of interest involves the Chairman of the BOD, the Chairman should inform and delegate decision-making authority to other BOD members.

Many countries worldwide have adopted, referenced, or integrated good corporate governance practices into their legal regulations. The legal framework related to the functions and responsibilities of the BOD has become relatively well-established in recent decades. However, promoting compliance with these good practices and enforcement mechanisms still needs to be addressed in some countries, including Vietnam (Claessens & Yurtoglu, 2013; Nguyen & Van Dijk, 2012).

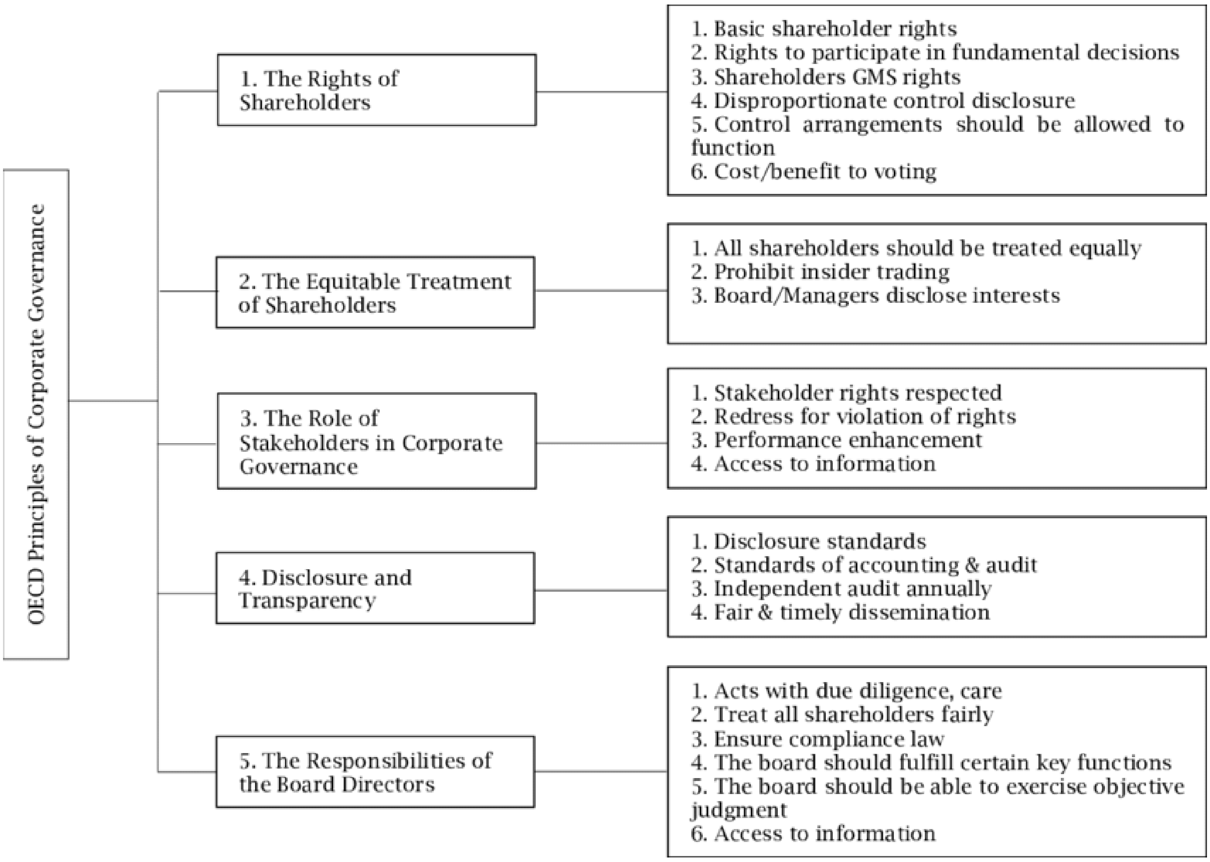
This part outlines the crucial roles of various entities in enhancing and maintaining the quality of corporate governance within joint stock companies, primarily operating on the stock market. Each entity contributes significantly to the framework of corporate governance, underscoring its importance in the structuring and operation of businesses. The conclusions or summaries derived from each topic's discussion are as follows:

- Market Regulatory's Role: They are vital in setting up the legal and regulatory groundwork for corporate governance, including standards for accounting, auditing, information disclosure, and transaction oversight. By addressing complaints and bankruptcy issues, they protect shareholder and investor interests. Their balancing act between legal mandates and voluntary practices, as per OECD recommendations, is fundamental to embedding effective corporate governance in businesses, highlighting the importance of a solid legal framework aligned with international standards and local contexts.

- Market Organizations' Contribution: Independent market organizations, through their oversight and evaluative functions, play a critical role in assessing and improving the quality of corporate governance. Entities like auditing firms, credit rating agencies, and research bodies offer essential services that facilitate access to finance, ensure accurate financial reporting, and provide expert advice on governance practices. This underscores the importance of external validation and support in achieving high standards of corporate governance.
- Enterprise-Level Governance (Boards of Directors and Management Boards): The Board of Directors (BoD) and the Management Board have central roles in directing company strategy and overseeing daily operations, respectively. Their actions and decisions directly impact the company's governance quality, emphasizing the need for independent, efficient, and effective governance bodies within the company. The establishment of specialized subcommittees by the BoD in State-Owned Enterprises highlights the importance of focus areas like auditing and human resources in corporate governance.
- Chief Executive Officer (CEO) and Management Board's Roles: The CEO, often part of the BoD, alongside the Management Board, is pivotal in managing operational activities and implementing board strategies. Their legal and contractual obligations to the BoD and the company emphasize the significance of clear authority lines, responsibility, and accountability mechanisms in corporate governance.
- Shareholders' Involvement: Shareholders, through the General Meeting of Shareholders (GMoS), exert supreme decision-making power in significant company matters, including the election of board members and approval of financial decisions. Their role as capital providers underscores the ultimate goal of ensuring returns on investment, thereby emphasizing the need for a governance system that protects shareholders' interests and balances them with those of other stakeholders. In connection, each topic underscores the multifaceted nature of corporate governance in joint stock companies, highlighting the interconnected roles of regulatory bodies, market organizations, enterprise governance structures (including directors and management), and shareholders. Collectively, these elements form a comprehensive governance ecosystem essential for the sustainability, accountability, and success of companies in today's complex business environments.

2.4 OECD Principle of Corporate Governance

Figure 2.2: OECD Principle of Corporate Governance



Source: OECD, 2004

The OECD Principles were first approved by the OECD Ministerial Council in 1999, revised in 2004, and again in 2015. These principles are internationally recognized standards for investors, policymakers, related stakeholders, and, particularly, corporations, as evaluated by OECD member countries. Numerous countries worldwide utilize the OECD Principles (2004) to establish regulations and corporate governance frameworks, encompassing diverse board structures within and beyond the OECD.

The OECD Principles are typically constructed in one of three forms: (1) mandatory, (2) comply or explain, or (3) voluntary. Most countries globally adopt a "comply or explain" approach to these principles.

In 2000, the OECD's corporate governance principles became one of the 12 core standards for global financial stability, now serving as a benchmark for international financial organizations (Cornford, 2004). The OECD's corporate governance principles were revised in 2004 to assist governments in evaluating and enhancing their domestic legal, regulatory, and institutional frameworks for corporate governance. Thus, these principles guide the development of effective corporate governance for interested parties. Despite existing cultural and institutional differences among nations, the fundamental principles allow significant adaptability (Jesover & Kirkpatrick, 2005). The OECD principles were designed to accommodate diverse circumstances, cultures, and traditions in different countries (Chowdary, 2002).

These principles encompass five areas: shareholders' rights and equitable treatment, the role of stakeholders in corporate governance, disclosure and transparency, responsibilities of the board, and fair treatment of shareholders. The OECD principles have become fundamental standards adopted by many countries and various industries, such as the International Federation of Accountants, the International Organization of Securities Commissions, and activities of the Asian Development Bank and the World Bank in Asian roundtable conferences.

The OECD Corporate Governance Principles based on core values:

- **Fairness**: OECD's corporate governance framework aims to safeguard shareholders' rights, ensuring fair treatment for all minority and foreign shareholders.
- **Responsibility**: OECD's framework requires companies to ensure stakeholders' rights, encouraging cooperation between the company and stakeholders to ensure the company's financial sustainability.
- **Transparency**: OECD's framework aims to guarantee public disclosure of essential company matters, such as financial status and business performance.
- **Accountability**: OECD's framework ensures effective board oversight and the accountability of the board of directors to the company and shareholders.

In the realm of corporate governance shown in Figure 2.2, the correlation between shareholder rights, fair treatment, stakeholder engagement, transparency, and board obligations is crucial for ensuring openness, responsibility, and enduring business methodologies (John et al., 2023). Shareholders possess fundamental rights encompassing involvement in pivotal decisions and the entitlement to General Meeting of Shareholders (GMS) rights, thereby demanding disclosure of disparities in control arrangements. Fair treatment necessitates egalitarian treatment of shareholders, prohibiting insider trading and mandating disclosure of board and management interests. The involvement of stakeholders underscores the importance of respecting their rights, seeking redress for violations, and improving performance through access to pertinent information. The assurance of disclosure and transparency is maintained through standardized disclosure practices, rigorous accounting and audit standards, independent annual audits, and equitable information dissemination. Board directors are entrusted with exercising due diligence, ensuring fair treatment of shareholders, complying with legal requirements, and making unbiased decisions facilitated by comprehensive access to information. These interconnected principles serve as the bedrock of effective corporate governance, fostering trust and integrity within the business environment (Smith & Johnson, 2022; Lee, 2021; Brown et al., 2020; Davis & Williams, 2019)

2.4 Measuring Corporate Governance

Due to the complexity of corporate governance, many previous studies, as mentioned earlier, utilized a proxy approach to measure and evaluate corporate governance quality, using variables like board size, number of independent members, and board meetings. However, recent research (Schepker & Oh, 2013; Yoshikawa et al., 2014) suggests that measuring corporate governance through proxies needs to be revised, as it cannot fully reflect corporate governance's overall and intricate nature. Moreover, studies must assume that each governance mechanism function is independent. In reality, not all governance practices are the same; they may share a common goal, such as minimizing agency costs, but each governance practice has distinct characteristics, roles, and functions. Based on this argument, combined with the increasing interest in understanding the impact of corporate governance on effectiveness through observing multiple factors, corporate governance requires a comprehensive and holistic measure to assess the overall and detailed quality of corporate governance practices within companies. Well-known research studies have devised various indices, like those developed by Bebchuk and Cohen (2005) and Gompers et al. (2003), to comprehend these intricate advancements and evaluate the effectiveness of corporate governance practices.

There are various concepts of corporate governance indices. Standard & Poor's (2002) defines the Corporate Governance Index (CGI) as an index that comprehensively evaluates the strengths, weaknesses, and overall quality of different corporate governance practices implemented by companies worldwide.

Corporate quality evaluation systems have been developed for more than two decades, and each derives some factors from the others. Each of TLC, GMI, S&P CGS or Deminor index includes between 100 and more than 1000 criteria and principally concentrates on the financial aspects of businesses. Both the G-Index and Entrenchment Index are based on the Investor Responsibility Research Center (IRCC) criteria of anti-takeover measures and focus on managing external factors. Both CGI and CGQ are based on Institutional Shareholders Services (ISS) data with many criteria that are not constant and can be tailored to a given area.

Since CG is challenging to measure, many previous studies, as mentioned above, have used an approach by adopting proxy variables to determine and evaluate CG, such as the size of the board of directors, number of independent members, and the number of board meetings. However, some researchers (Schepker & Oh, 2013; Yoshikawa et al., 2014) show that measuring CG through proxies is unreasonable as one proxy cannot comprehensively reflect corporate governance and its complexity. On the other hand, studies must assume that each governance mechanism function is independent. Not all governance practices are the same, although they may share a common goal; instead, each management practice has its unique characteristics, roles, and functions. Stemming from the above argument combined with the increasing interest in CG's impact on efficiency, CG needs a comprehensive measure and details on companies' quality of corporate governance practices.

The corporate governance index

Standard & Poor (2002) define the Corporate Governance Index (CGI) as providing a comprehensive assessment of overall strengths, shortcomings, and overall quality of the various CG practices performed by companies worldwide. There are two approaches to CGI: (i) CGI is built by each country such as UK, Japan, Singapore, and Turkey; (ii) CGI covers a group of countries such as the CGI of Europe, or the CGI of developed countries (ISS & FTSE, 2005).

The criteria for ensuring effective corporate governance in this dissertation are built on CG principles agreed by OECD governments in 2005. However, most CGI types are measured based on different corporate governance principles. The methodology for constructing the CGI differs in the measurement method, the calculation method, and the component index's number. According to the author's research, three popular models of indicators are commonly employed by researchers to find a relationship between the above governance patterns and firm financial performances:

The Governance index (G-Index)

Gompers et al.'s (2003) work is one of the most cited studies on the relationship between the firm's management and performance. Gompers et al. (2003) built a G-Index for almost 1,500 large US firms in the 1990s. The G-Index includes 24 criteria related to anti-legal accounts, acquisition, and shareholder rights. Their article on CG and stock prices has become the benchmark against which most other studies in the field are used for comparison. They use data published by the Center of Directors (IRRC) to build the "Governance Index".

The purpose of the figure produced by the index is only to evaluate the corporate information values that reflect the company's shareholders' rights as a variant representation (proxy). For example, the presence of any provision in the text under the Enterprise Law or State Law that restricts shareholder rights will add a point to the index. Therefore, the representative values of the components come from the presence (plus points) or the elimination (no points) of the respective criteria. The data is used to build five-component indicators: Delay, Protection, Voting, Anti-acquisition and State law.

The Entrenchment index (E-index)

Research by Bebchuk et al. (2009) is one of the first studies to raise the potential problem of excessive regulation. They argue that only a few regulations are correlated with a firm's value while the rest is merely "measurement noise". Bebchuk et al. (2009) proposed a measure of governance based on shareholder rights issues. The authors built an E-index based on six principles: 4 "constitutional" provisions to prevent most shareholders from acting in their own way (like staggered boards), limit shareholders' amendment to regulations, majority requirements on a merger, and requirements for charter amendment, as well as add two terms called "willingness to take over" for the Board of Directors to prevent a hostile acquisition (shareholder options - poison pills, and reward for administrators - golden parachutes). These six principles are made up of 24 governance criteria (in the G-Index) developed by the Investor Responsibility Research Center (IRRC) and are built into the E-index.

The Gov-Score index

Brown and Caylor (2004) consider the G-index as an indicator to protect against takeovers and is designed to be inversely related to good CG practices or lack of shareholder rights. Derived from these arguments, they developed the Gov-Score index to be positively correlated with governance practices. Hence, "Gov-Score" is a comprehensive measure of corporate governance, and it shows that better governance firms have more benefits, pay greater dividends and are judged as higher value by investors.

This is a composite index that constitutes 51 factors applied to 8 categories and employed from ISS's data. The factor groups involve: audit, board, charter/bylaws, director education, executive and director compensation, ownership, progressive practices and incorporation (JCGR, 2003). Brown and Caylor (2006) give 51 CG factors "binominal values of either 1 or 0 depending on whether the criterium meets the acceptable minimum requirements or not". Following these rules, the Gov-score ranges from 0 to 51. Nevertheless, empirical tests with many samples present a range from 13 to 37. Firms with higher Gov-scores show higher performance, market values and returns for stockholders (Brown and Caylor, 2006), which is in line with the predictions of agency theory.

Many studies have employed this approach by creating a widespread governance index and then assessing the impact of comprehensive CG practices on firm value (e.g., Bebchuk et al., 2009; Black, 2001; Black et al., 2006b; Cheung et al., 2007; Gompers et al., 2003). According to this approach, CG principles can be interchangeable and can affect company performance at different levels.

In this research, the methodology introduced by Brown & Caylor (2006), Brown & Caylor (2009), and Bhagat & Bolton (2008) is employed. Additionally, the OECD's questionnaire on corporate governance practices (2004) explores the correlation between corporate governance and corporate financial performance (CFP) across diverse dimensions within Vietnamese listed companies.

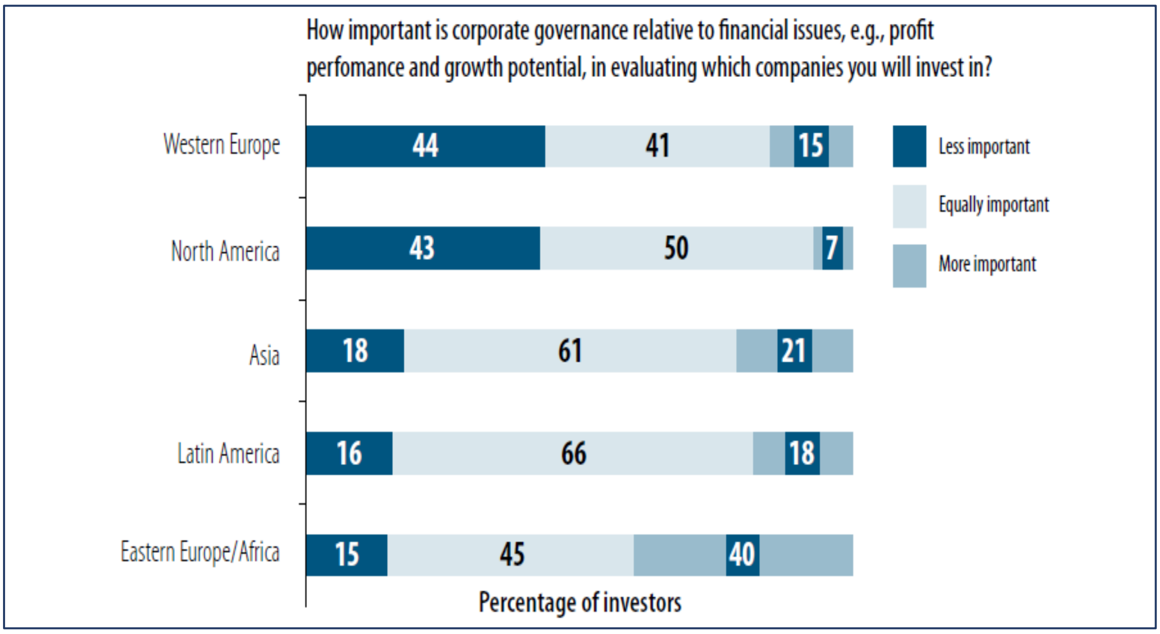
- Established Methodological Foundation: Employing the methodologies proposed by Brown & Caylor (2006, 2009) and Bhagat & Bolton (2008) provides the dissertation with a solid foundation. These approaches have been previously validated and widely recognized, ensuring the reliability and credibility of the research findings.
- Cross-Verification of Results: By utilizing methodologies from different reputable sources, the dissertation benefits from cross-verification of results. This approach increases the robustness of the research outcomes as it corroborates findings from multiple well-established research frameworks.
- Global Standards with OECD Questionnaire: The OECD's questionnaire on corporate governance practices (2004) aligns the research with global standards. OECD guidelines are internationally respected and accepted, ensuring that the research methodology adheres to high-quality standards in the field of corporate governance.
- Diverse Dimensions Consideration: Investigating the correlation between corporate governance and corporate financial performance across diverse dimensions within Vietnamese listed companies allows for a comprehensive analysis. Examining various facets provides a nuanced understanding of the relationship, offering valuable insights that can be applied in diverse contexts within the Vietnamese business landscape.
- Enhanced Data Reliability: Utilizing established methodologies enhances the reliability of the data collected. Researchers can draw upon the wealth of knowledge and expertise in these methodologies, ensuring the research is conducted using well-tested frameworks, leading to more accurate and dependable results.
- Policy and Practice Implications: Research grounded in methodologies like Brown & Caylor (2006, 2009) and Bhagat & Bolton (2008) aligned with OECD standards can have significant policy and practice implications. Policymakers and practitioners are likelier to

take the research findings seriously and implement recommendations if the dissertation adheres to recognized and respected methodologies.

In summary, employing well-established methodologies and aligning the research with respected international standards enhance the research's credibility, reliability, and relevance, making it a valuable contribution to the field of corporate governance in the context of Vietnamese listed companies.

2.5 Corporate governance and firm financial performance

Figure 2.3 How important is CG relative to financial issues



Source: McKinsey & Company, 07/2012

The agency theory has gained increasing acceptance as an efficient approach to corporate governance (Durisin & Puzone, 2009). This theory is a primary framework for predicting the relationship between management practices and corporate efficiency. Originating from economics and finance, the agency theory articulates control methods to curb managerial opportunistic behavior that could adversely affect shareholders' assets (Eisenhardt, 1989). Recent studies in corporate governance have shifted from using proxy variables to measure corporate governance practices (as discussed in the literature review) to simultaneously analyzing various corporate governance aspects. Indeed, most contemporary global studies employ corporate governance indices to measure broader corporate governance provisions. The main objective of this dissertation is to investigate whether comprehensive corporate governance practices predict corporate efficiency. Studies relying on these indices are growing (Bozec & Bozec, 2012). Overall, these studies exhibit conflicting results based on U.S. companies (Bhagat & Bolton, 2008; Chidambaran et al., 2008; Bebchuk et al., 2009; Spellman & Watson, 2009) and Canadian companies (Foerster & Huen, 2004; Klein et al., 2005; Gupta et al., 2006; and Bozec et al., 2010). Conversely, research conducted in emerging economies and transition economies (Price et al., 2007; Bauer et al., 2008; Garay & Gonzalez, 2008; Black et al., 2009) as well as European countries (Beiner et al., 2006; Blom & Schauten, 2008; Clacher et al., 2008; Renders et al., 2010) have predominantly found a positive relationship between corporate governance practices and corporate efficiency (except for studies by Limpaphayom and Connelly, 2008, and Price, Roman, and Rountree, 2011).

This can be explained through mixed international evidence. Firstly, legal constraints on managerial behavior are comparatively weaker in developing and transitioning economies than in developed nations. Studies by Klapper and Love (2004), Durnev and Kim (2005), and Chen and Wei (2009) indicate that the governance-efficiency relationship tends to be stronger in countries characterized by a weaker legal enforcement system.

Secondly, European nations and Canada are believed to follow a principle-based approach. These countries adopt a comply/explain approach to corporate governance, meaning companies must disclose their level of compliance with governance guidelines in their annual reports or disclosure loops and explain why specific regulations might have yet to be adopted. In contrast, the United States uses a rule-based approach, resulting in substantial adherence to mandatory compliance with detailed regulations. If corporate governance affects corporate efficiency and this relationship is entirely market-driven, stock prices will swiftly adjust to any related management changes. This is logical when utilizing event studies to analyze the impact of protecting shareholder wealth. If such a reaction occurs, market-expected profits will not be affected beyond the event window. However, if governance issues are not directly integrated into stock prices, observed market profits will systematically differ from equivalent securities (Gompers et al., 2003). Therefore, only minor changes in corporate management activities among U.S. companies can be expected, which might explain the inconclusive experimental evidence in this country.

In assessing the importance of corporate governance in financial decision-making, Figure 2.3 presents compelling insights derived from a global survey of investors across different regions. The graph illustrates varying perceptions regarding the significance of corporate governance in investment evaluation. Notably, Western Europe and North America emerge as regions where a considerable portion of investors, 44% and 43% respectively, deem corporate governance as "Less Important" in their investment decisions, contrasting with the sentiment in other regions. Conversely, in Asia, Latin America, and Eastern Europe/Africa, a smaller proportion of investors, ranging from 15% to 18%, view corporate governance as "Less Important." These findings suggest a nuanced perspective on the role of corporate governance, with Western Europe and North America exhibiting relatively lower emphasis on governance practices compared to their counterparts. This analysis underscores the importance of considering regional contexts and cultural nuances in understanding investor attitudes towards corporate governance and its impact on financial decision-making (Jones et al., 2023; Smith & Brown, 2021; Garcia et al., 2020).

Vietnam is a developing nation with a transitioning economy. Large companies in Vietnam are primarily derived from state-owned enterprises and family businesses, so the requirement to disclose their compliance with international governance guidelines in annual reports is relatively new. Additionally, as mentioned earlier, Vietnam faces legal limitations concerning managerial behavior. Therefore, given Vietnam's economic context and from an agency theory perspective, the question arises: Does better control and transparency in corporate governance practices not only impact current efficiency but also lead to enhanced future efficiency?

The dissertation is conducted based on the following hypotheses.

2.5.1 Corporate governance index and Firm financial performance

H1: Effective corporate governance practices positively influence a company's financial performance.

Establishing and implementing corporate governance must be a gradual and continuously improving process. Therefore, corporate governance practices require continuous effort and perseverance from companies. Corporate management is considered adequate when it encourages the Board of Directors and the Management Board to pursue objectives in the company's and shareholders' best interests. It should also create favorable conditions for efficiently monitoring the company's activities, allowing it to utilize resources more effectively. When corporate governance practices become standard and effective, control mechanisms from these practices will aid companies in enhancing their financial performance in the future (Jang et al., 2006a; Cheung et al., 2011).

2.5.2 The rights and equitable treatment of shareholders and key ownership functions

According to OECD (2004), the corporate governance framework should protect and facilitate the exercise of shareholder rights. Many studies look at the overall CG measurement and its relationship to firm equity. For example, Gompers et al. (2003) used IRRC data and found firms with weaker shareholder rights had lower firm value and profit. The authors found that firms with more substantial shareholder rights are less likely to be acquired. They admitted that weak shareholder rights create a conflict of representation, which results in long-term low company values. They also demonstrated a statistically significant positive relationship between G-Index scores and stock returns over the sampling period. The dissertation also acknowledged that weak shareholder rights create a conflict of representation and lead to low company value in long-term operations. Recently, G-Index has become a benchmark for measuring the corporate governance quality of US companies. Although the G-index makes an essential contribution to anti-acquisitions literature in the US, it has little to do with emerging market countries since hostile acquisitions are few.

King and Wen (2011) argue that companies should ensure shareholders' right to participate and vote at a general meeting of shareholders and the right of electing members of the board of directors. Shareholders should also be promptly and regularly provided with relevant information and business documents (through annual meeting notices) (Gillan & Starks, 2000; Karpoff et al., 1996). Shareholders' rights should be protected, including ownership (Cheung et al., 2010). Furthermore, Murphy and Topyan (2005) assert that corporate governance's most critical characteristic is to protect minority shareholders, who are ineffective compared to major valid shareholders. Mallin and Melis (2012) acknowledge that shareholder rights are critical aspects of a reliable corporate governance system.

Vietnam has been promoting better corporate governance by adopting the Law on Securities 2019 No 54/2019/QH14 (the New LOS). The New LOS has, among other things, defined stricter conditions for public offering, to drive the standards and corporate governance closer to international benchmarks.

Significant shareholders in Vietnam, those who own 5% or more of a company's voting shares, are required not to take advantage of their positions to interfere with its rights and benefits and other shareholders. This provision spells out the principle mentioned above, namely that all shareholders deserve equitable treatment.

H2: Firms with more substantial shareholder rights have a positive relationship with firm value and profit.

2.5.3 The role of stakeholders

The corporate governance framework should recognize stakeholders' interests shaped by law or through mutual agreements and encourage active cooperation between corporations and stakeholders to create more properties, careers, and sustainability of the company. The stakeholder principles focus on the relationship between the company and stakeholders in value creation (OECD, 2004). This principle should include stakeholders' roles to reflect the interactions and treatment of stakeholders such as workers, creditors, suppliers, shareholders, and the environment (Cheung et al., 2010). Allen et al. (2007) argue that, in some cases, companies may voluntarily select their stakeholders, as this increases their value. On the other hand, Jensen (2010) states that a company cannot maximize its value if the company ignores its stakeholders' interests.

Stakeholders, extending far beyond shareholders, constitute a diverse group comprising employees, customers, suppliers, and the broader community, each making multifaceted contributions to a company's success (Freeman, 2010; Harrison & Wicks, 2013). Employees are pivotal in driving day-to-day operations, fostering innovation, and enhancing productivity, directly influencing the company's efficiency and shaping its organizational culture (Clarkson, 1995). Customers exert substantial influence through their demands, feedback, and brand loyalty, shaping product development, market strategies, and brand reputation (Kotler & Lee, 2005). Suppliers, another integral stakeholder group, contribute significantly to the company's value chain and operational resilience (Garriga & Melé, 2004). Furthermore, the community's support and perception significantly impact a company's social license to operate and its overall sustainability (Freeman, 2010). Acknowledging and addressing the diverse interests of these stakeholders emerge as pivotal strategies in fostering trust, sustainability, and achieving long-term growth within a company (Harrison & Wicks, 2013).

Consequently, it is the management's responsibility to ensure that shareholders receive a fair return on their investments (OECD, 2015). Besides, administrators are also accountable to all stakeholders and should manage and reduce conflicts of interest between the company and its shareholders (Prugsamatz, 2010). The strength of corporate-stakeholder relationships, directly and indirectly, has been found in studies to affect firm financial performance (Berman et al., 1999).

H3: The optimal benefits can be achieved by respecting the interests of stakeholders and their contribution to the company's long-term success.

2.5.4 Disclosure and transparency

Asymmetric information between the firm's insiders and outsiders is likely to lead to market failure (Akerlof, 1970). In theory, high-value companies have more significant incentives to reduce information asymmetry, reduce the risk of reverse selection, and avoid a decline in prices in the used car market (‘lemon’). The reason is that profitable companies have good news to share with their stakeholders; these companies encourage more publicity than companies with little profit or loss. Therefore, a positive relationship can be expected between firm performance and information disclosure.

However, recent studies (Bamber & Cheon, 1998; Li, 2010; Nagar et al., 2003) do not support a positive relationship between information disclosure and firm values. For instance, Bamber & Cheon (1998) and Nagar et al. (2003) found a negative relationship between voluntary disclosure and the firm's book value/market ratio, and the coefficients differ substantially and unintentionally. Other studies (Clatworthy & Jones, 2006; Watson et al., 2002) also support the assumption that an inverse relationship can uphold a balance between publicity and corporate efficiency.

Cheung et al. (2010) developed a comprehensive scorecard based on the OECD CG Principles (2004) related to information transparency assessment for China's 100 largest listed companies between 2004 and 2007. The results prove a positive relationship between information transparency and market value as measured by Tobin's Q.

Considering publicity, a higher degree of publicity can positively affect company performance based on the principle that improved disclosure and timely reporting can reduce capital costs and mitigating information asymmetry as argued by Euromoney Institutional Investor (2001) and Lang and Lundholm (2000). In addition, Evans et al. (2002) found that companies can benefit from association with good governance, increased management trust, more long-term investors, and better expectations from consultants that improved access to capital and lower capital cost and present the company's real potential value.

In a Vietnamese context, most enterprises have promptly published reports according to current regulations, but the level of compliance has not reached 100%. Many companies do not verify information on the business website such as reports, financial statements. The content of much disclosed information is incomplete, especially the information in the annual report, even though these contents are specified in Circular 155.

H4: Good corporate transparency and disclosure practices play a significant role in firm performance.

2.5.5 The responsibilities of the board

The board of directors performs two main functions: supervising and consulting with senior managers (Jensen, 1993). A monitoring role involves monitoring management to minimize potential representation problems, while the advisory role is related to assisting management in strategy formulation and implementation and providing advisory services in other areas of top-level decision-making (Faleye et al., 2011). The board of directors' primary responsibility is to make decisions about the company's business activities and manage its members' activities (Hermalin & Weisbach, 2001). Therefore, the Board of Directors is one of the internal governance mechanisms set up to ensure that shareholders' and managers' interests are closely linked (Kang et al., 2007). Additionally, board members must function well (De Andres et al., 2005; Solomon, 2014). The board of directors is responsible for formulating policies, strategies and overseeing corporate operations as the supreme executive unit (Hilman & Dalziel, 2003).

The supervisory role is based on full notice and good faith with the highest benefit and balance not only for shareholders (creating value for shareholders) but all other stakeholders (protecting stakeholder value) and ensuring compliance with applicable government regulations of the Board of Directors, shareholders and related parties (Mason & Simmons, 2014). The legal responsibilities between the owner and the agent ensure that the property is used towards the right goal. The Board of Directors also performs a vital function within the corporate governance framework: it is primarily responsible for monitoring management effectiveness and achieving full returns, for stakeholders as well as investors (Freeman & Reed, 1983; Hilman & Dalziel, 2003).

Previous studies have shown that the Board of Directors significantly improves company efficiency and profitability (Bhagat & Black, 1999; Hermalin & Weisbach, 2001; Rosenstein & Wyatt, 1990; Zahra & Pearce, 1989). According to them, the separation between Chairman and CEO / Managing Director's roles to date is still considered good practice. A beneficial board of directors' performance is also based on assessing critical factors, such as whether the board holds enough meeting times as required (at least four times a year)? Is there evidence that the board conducts an annual Board of Directors / Board evaluation? Does the company establish subcommittees under the Board of Directors? CG practices also encourage the board to have a meeting schedule for the whole year, and a specific meeting plan with the expected discussion content for the board of directors to work effectively.

H5: Executing the board's responsibilities correlates with and positively influences a company's financial performance.

The author used portions of the hypotheses to construct specific articles during the project implementation. Simultaneously, the author organized each hypothesis chronologically and followed the reviewers' requirements to ensure the comprehensive and innovative nature of the thesis.

The first article, "Assessing the Impact of Corporate Governance on the Financial Performance of Listed Companies in Vietnam," was published in the Macroeconomics And Finance In Emerging Market Economies journal in September 2021. This early publication serves as a seminal contribution, shedding light on the initial phases of the hypotheses. It effectively demonstrates the successful integration of effective corporate governance practices and their consequential impact on the financial performance of companies. The thesis builds upon this foundational research and advances into unexplored territories within the field, proposing further enhancements and contributing to the broader discourse.

Building on the momentum established by the initial publication, the subsequent article, "Impact of Corporate Governance and Financial Performance on Sustainable Innovation beyond the Covid-19 Pandemic," published in the International Journal Of Business Innovation And Research in 2022, provides an even more robust platform for the hypotheses. This publication underscores the pivotal role of effective corporate governance in shaping the financial performance of companies, particularly in the context of sustainable innovation beyond the challenges posed by the COVID-19 pandemic. The thesis, in turn, extends and enriches this concept, introducing innovative elements that transcend conventional boundaries, thereby reinforcing the contributions' distinctiveness.

The culmination of this research journey is encapsulated in the final publication, "The Impact of Corporate Governance on Operational Efficiency: From Theory and Approach to Empirical Results," published in the Journal of Regulations and Financial Compliance in 2023. This publication serves as the ultimate validation of the formulated hypotheses. By systematically referencing and building upon previous works, the author establishes the legitimacy of their research and reaffirms the continuous evolution of ideas. The publication investigates the impacts and possibilities outlined in the thesis, grounding the research in empirical results and contributing to the broader academic and practical understanding of corporate governance dynamics.

2.6 Assessing the financial impact of corporate governance

There are three critical areas for assessing the financial impact in this dissertation: the company's share price, Tobin's Q, and ROA/ROE. This section will take these measures and their relationship to the context of our dissertation.

Tobin’s Q is widely recognized as a firm performance measure (Lewellen & Badrinath, 1997) and has been used in many studies (e.g., Agrawal & Knoeber, 1996; Eisenberg et al., 1998; Reddy et al., 2008). The study calculate Tobin’s Q based on Chung and Prutt’s (1994) dissertation. Accordingly, the approximation of Tobin’s Q is computed as the market value of equity, plus the book value of debt, divided by the book value of total assets. This method of calculating Tobin’s Q is selected because it offers simplicity in utilizing the available data. To increase the normality of this variable, natural logarithmic transformation is applied on Tobin’s Q.

Al-Matari et al. (2014) show that the two most used accounting-based measures of firm performance in corporate governance research are ROA and ROE which respectively account for 46% and 27% of the total ratio in corporate governance studies from 2000 to 2012. According to Epps and Cereola (2008), ROE exhibits the profit generated from the money invested by the shareholders. ROA evaluates the effectiveness of capital used and measures the earnings generated by the firm from its investment in capital assets. Many researchers use both ROA and ROE to measure firm performance (such as Demsetz & Villalonga, 2001; Finch & Shivadasani, 2006; Thomsen et al., 2006). In this dissertation, ROA is defined as the ratio of net income to total book value of assets, and ROE is the ratio of net income to total equity.

It is important to note that both the accounting-based measure (ROA and ROE) and market-based measure (Tobin's Q) have some limitations. On the one hand, the accounting-based profit measure is criticized for being backward-looking and a partial estimation of future events in the form of depreciation and amortization. On the other hand, Tobin's Q is heavily influenced by various unstable factors, such as investor psychology and market forecasts (Reddy et al., 2008). Therefore, using both market-based and accounting-based measures would provide a comprehensive measure of firms' financial performance.

These elements relate well to the Gov-Score Index. Brown and Caylor (2004) found that ROE was statistically significant and positively correlated for the five factor groups. The net profit margin was positively and statistically correlated to the four management categories, Tobin's Q was also correlated positively and statistically to the two administration categories, and the dividend yield was positively correlated with five categories and was statistically significant.

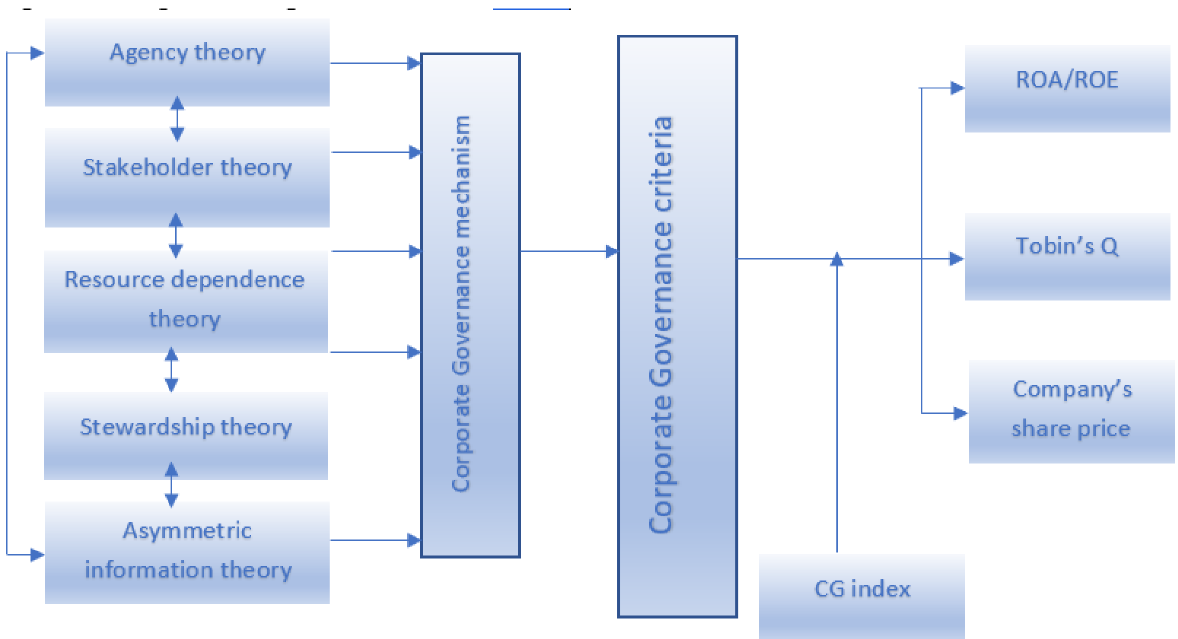
2.7 Summary

This chapter discusses the relationship of three theories used in corporate governance research: agency theory, stakeholder theory, and asymmetric information theory. These theories have been widely used to examine corporate governance practices and performance. Furthermore, the chapter introduces the development of these theories and their relationships with corporate governance, aiming to analyze the connection between corporate governance practices and firm performance in listed companies. The chapter begins with an overview of corporate governance theories and theoretical frameworks, followed by a link to conceptual research frameworks. The conceptual framework comprises three main components: corporate governance principles, governance mechanisms, and the financial performance of listed companies. Finally, this chapter presents hypotheses based on the literature review conducted earlier. The next chapter will detail the research model methods to test the hypotheses developed based on the literature review in this chapter.

This thesis sought to answer two research questions: which elements of corporate governance impact financial performance? and how should financial performance be measured in this context? Through an extensive review of the literature, the thesis have developed an integrative research model that covers the theoretical elements, evidence from empirical studies and metrics for assessing financial performance. This model will be of use to researchers in this field, and practitioners in understanding the interrelationships, and key considerations from both financial and governance perspectives.

Based upon our review of the literature, our assumption that Tobin's Q, ROA/ROE, and company's stock price are dependent variables to measure the firm's financial performance, and the peculiarities of the Vietnamese environment, the study propose the following research model:

Figure 2.4. Proposed integrative research model



Source: author' own construction

Chapter 3

Data and methodology

This chapter explained the methodology employed in this investigation, detailing its application to fulfil the research objectives. The thesis aims to investigate the impact of corporate governance on company performance concerning both financial performance and market value among listed companies. This chapter delineates the methodologies adopted for the research. It substantiates the preference for employing quantitative research techniques in analyzing the variables, including creating dummy variables to support the research framework. Four distinct empirical regression models are utilized to assess the association between corporate governance practices and firm financial performance. The analytical tools employed in this chapter encompass descriptive analysis, variable identification, correlation examination, and regression analysis.

This chapter also concludes with discussions on the methodology of scoring the Corporate Governance Index, outlining the steps involved, and conducting intra-rater and inter-rater reliability tests for validation. Additionally, the computation of scores for individual components of the Corporate Governance Index, as well as the Total Corporate Governance Index, is introduced within the chapter content. Furthermore, this chapter introduces, constructs and explains the variables utilized in the regression model. The appropriate regression model selection methodology is also outlined alongside the presentation of the dissertation's research model. In Chapter 4, the data are analyzed and explained using the research methods described in Chapter 3.

3.1. Scope of dissertation

The COVID-19 pandemic has exposed weaknesses in corporate governance in developing countries, including inadequate risk management and crisis management capabilities (PWC, 2020). The shift to remote work and virtual meetings has highlighted the need for effective communication and oversight. Transparency and accountability have become more critical, and there has been a greater focus on sustainability and social responsibility.

Many developing countries have strengthened their corporate governance frameworks in response to these challenges. Some have introduced new regulations and guidelines to address the specific challenges posed by the pandemic, while others have increased enforcement mechanisms to ensure compliance. There has also been a greater focus on sustainability and social responsibility as companies recognize the need to address broader societal challenges in addition to their core business operations. Overall, the COVID-19 pandemic has highlighted the importance of effective corporate governance in developing countries, and has allowed companies and regulators to strengthen their governance frameworks and practices (TTXVN, 2022).

3.2. Data

The data has been compiled concerning all businesses listed on the Vietnam Stock Exchange in the period from 2020 to 2022. Enterprises registered as listed after this time and enterprises in special status (temporary suspension of transactions/restricted transactions) are not considered for evaluation in the scope of this study.

In contemporary business research, stock exchange data is an indispensable resource, particularly when exploring intricate topics such as "The impact of corporate governance on firm financial performance." Stock exchange data provides a comprehensive and real-time reflection of a company's financial health and market standing, encapsulating vital information on its performance, investor confidence, and governance practices. By analyzing stock data, researchers gain invaluable insights into the intricate mechanisms governing corporate behavior, which is paramount when assessing the correlation between corporate governance and financial outcomes. The transparency inherent in stock exchange data ensures the reliability and credibility of the information employed, making it a fundamental pillar for drawing well-informed conclusions in studies related to corporate governance and financial performance. Furthermore, the accessibility and consistency of stock exchange data enable researchers to conduct in-depth, longitudinal analyses, facilitating a nuanced understanding of the evolving dynamics between corporate governance structures and financial success. Therefore, employing stock exchange data in examining the impact of corporate governance on firm financial performance not only enhances the depth of research but also guarantees the robustness of findings, reinforcing the significance of this data source in academic inquiries and policy-making decisions.

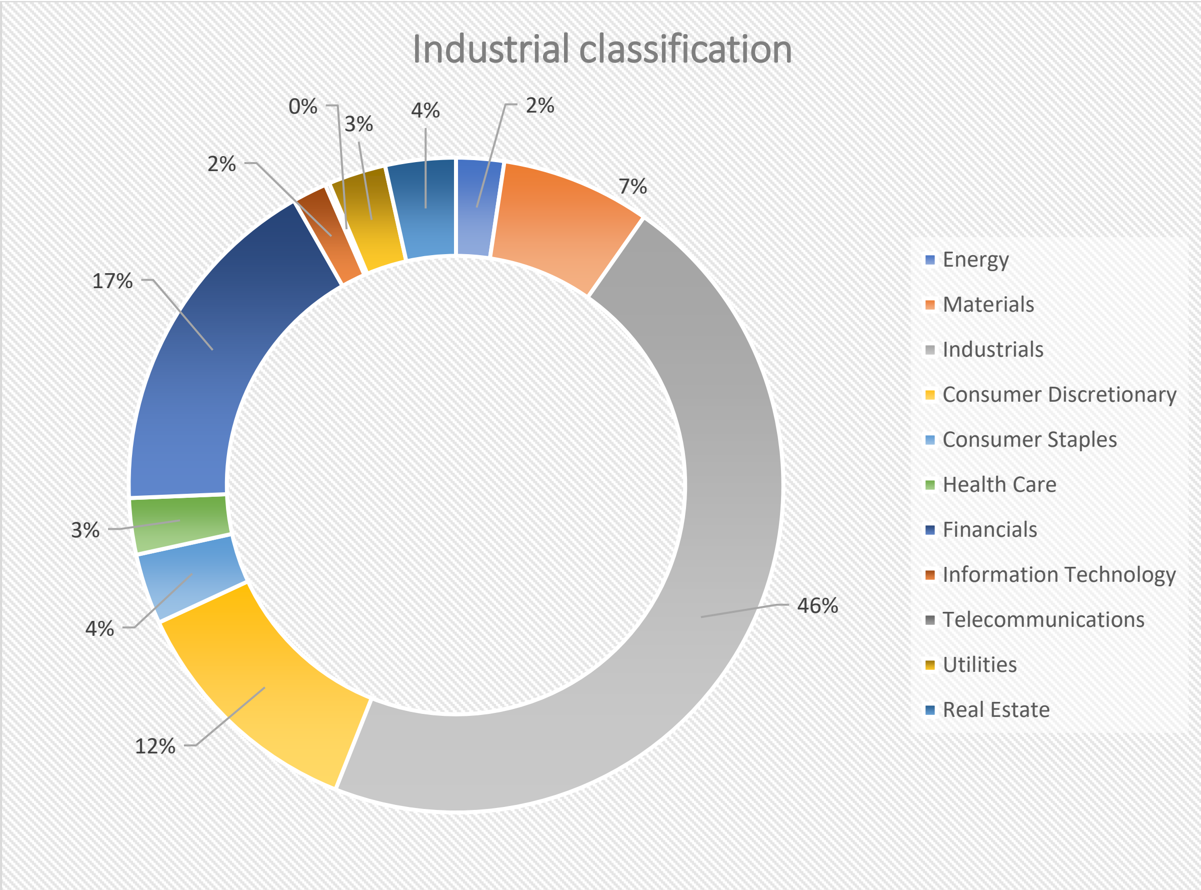
Thus, a panel of 302 enterprises on the Vietnam Stock Exchange is evaluated for corporate governance quality. Developing a set of evaluation criteria is done from an investor’s perspective. The data used for evaluation is the information and data that enterprises make available to the general public, including but not limited to financial statements, annual reports, management reports, reports of BOD, internal regulations on corporate governance, documents of the general meeting of shareholders, resolutions and minutes of the annual public meeting of shareholders, the website of the enterprise, etc. These documents are typically published on the web portal of enterprises, the Vietnam Stock Exchange, as well as in different publications of the enterprises.

The evaluation data source also includes internal data of the Vietnam Stock Exchange and data of other regulatory agencies related to information disclosure.

Financial data for this dissertation are obtained from third-party websites like investing and vietstock. Board structure data, which is not available in the above sources, was collected manually from annual financial and CG reports of Vietnamese listed firms, which documents are available on the websites of these firms.

Our dataset constitutes a unbalanced panel of the 302 largest listed firms with 906 observations for three years from 2020 to 2022. Previous studies on the relationship between CG and firm financial performance in Vietnam used limited sample sizes due to data accessibility. For example, Abdullah & Ahmed's (2020) dissertation uses cross-sectional data from only 100 listed firms for 2009. Dao & Hoang's (2014) dissertation used only 30 firms in 2011. Vo & Phan's (2013) dissertation employs a small sample with only 58 listed firms in the period 2007-2009. Nguyen et al.'s (2015) analysis used data from 122 listed firms from 2008 to 2011 (488 observations). Compared with prior studies, our larger dataset (regarding the number of observations and the number of sampled firms) may contribute more extensively to estimating the relationship between CG and the financial performance of listed firms. The listed firms is classified into eleven industry categories based on the Industry Classification Benchmark (ICB) including (i) "Oil & Gas,"; (ii) "Basic Materials,"; (iii) "Industrials"; (iv) "Consumer Goods"; (v) "Health Care"; (vi) "Consumer Services"; (vii) "Telecommunications"; (viii) "Utilities"; (ix) "Technology", (x) “Financials”, and (xi) “Real Estate” (FTSE Russell, 2017, p.9). This dissertation uses ICB because (i) is a globally utilized standard for categorizing companies and securities into industry sectors and subsectors, and (ii) it is available from the Vietnam stock exchange.

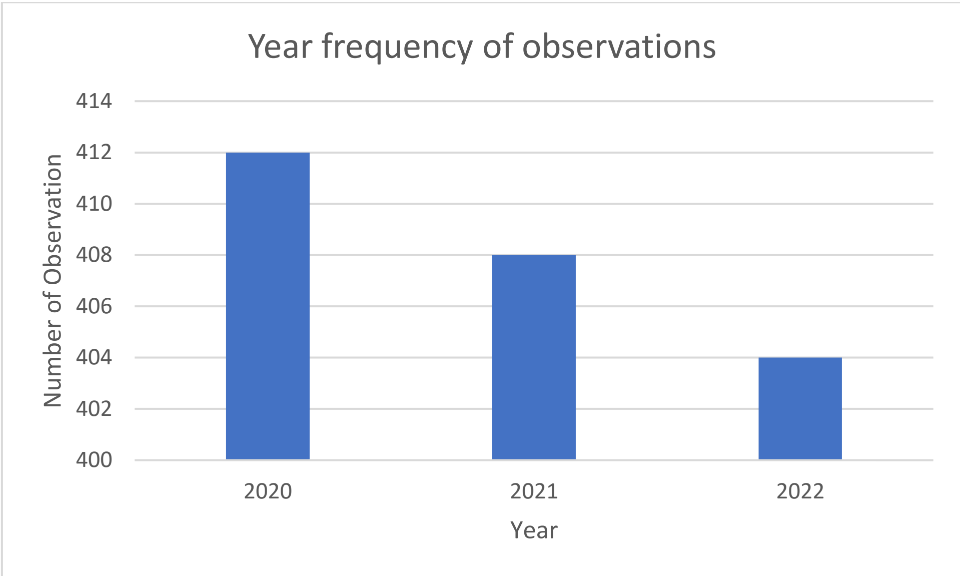
Figure 3.1. The industrial classification in the panel data



Sources: author's calculations

In the illustrations, the sector breakdown of listed firms is depicted. The table highlights that Industries, Consumer Goods, and Basic Materials emerge as the most significant sectors, with Industries representing the majority at 65% of the total observations.

Figure 3.2. Year frequency of observations



The Figure 3.2 illustrates the yearly frequency of observations in our panel data, highlighting the time variation (T) variation across different listed firms. This discrepancy arises from firms entering or exiting stock markets at different intervals and the presence of randomly missing data points. Consequently, our dataset constitutes an unbalanced panel of 420 Vietnamese listed firms, comprising 1200 firm-year observations from 2020 to 2022. It is essential to acknowledge that unbalanced panels, coupled with endogeneity, pose challenges in estimating empirical models, as Flannery and Hankins (2013) noted. However, a panel data approach allows researchers to leverage all accessible data Furthermore, Flannery and Hankins (2013) suggest that the Generalized Method of Moments (GMM) estimator is a reliable technique for unbalanced panels involving endogenous variables. This method involves using "external" instrumental variables to handle endogeneity. In this dissertation, a combination of Fixed Effects (FE), Random Effects (RE), Ordinary Least Squares (OLS), and GMM methods are employed to analyze the unbalanced panel data.

3.3. Variables

Variables

Independent variables

In order to measure the comprehensive influence of corporate governance practices on financial performance, this dissertation uses independent variables, namely the total corporate governance index and component governance indexes (used from the OECD scorecard, Apendix 1).

To test the hypothesis, our dissertation uses five explanatory variables, including:

a. *total_cg*: the corporate governance index variable determined by the 4-component governance indexes;
b. *cg_rosh*: the component governance index variable related to shareholder rights;
c. *cg_rost*: the component governance index variable related to stakeholder roles;
d. *cg_dat*: the component governance index variable related to disclosure and information transparency;
e. *cg_reob*: the component governance index variable related to BOD responsibility.

A linear regression analysis was conducted using the OECD Scorecard Instrument of financial firms' performance against CG components. After selecting data, the study constructed a set of evaluation criteria to score each business. These criteria are similar and are used to evaluate all listed companies in the future. The evaluation criteria used in this report have been designed with a view to regulations for corporate governance of regulated companies listed on the stock market (Law on Enterprise 2014, Decree 71/2017/ND-CP, Circular 155/2015/ TT-BTC), international practices on information disclosure, and corporate governance (OECD principles on corporate governance, 2015). After conducting the evaluation, referring to the set of principles including 110 criteria mentioned in the methodology section, the author selected a set of 68 evaluation criteria based on some basic principles of corporate governance: selected were evaluation criteria related to information disclosure and transparency as well as to compliance and voluntariness in the application of good corporate governance practices. The decision to reduce the criteria was driven by the need for a focused, relevant, and practical evaluation process that aligns with the core principles of corporate governance and meets the expectations of stakeholders.

Table 3.1. Weighting of areas / categories (Source: Author)
The marks achieved under each principle or category are assigned certain weightages:

Principle (category)	Category weight (%)
Rights & Equitable treatment of shareholders	30
Role of stakeholders	10
Disclosure & transparency	30
Responsibilities of board	30
Total	100

In Corporate Governance Index measurement, assigning weights to marks achieved under each principle or category provides a methodological framework for evaluating an organization's effectiveness and adherence to corporate governance practices (Smith & Johnson, 2023). Each principle or category represents a crucial aspect of corporate governance, and the allocated weights reflect their relative importance in assessing overall governance performance (Brown et al., 2022). For instance, the Rights & Equitable Treatment of Shareholders is assigned a 30% weightage, underscoring the importance of ensuring fair treatment and protection of shareholders' rights within the corporate governance structure. With a weightage of 10%, the Role of Stakeholders emphasizes acknowledging and considering the interests and contributions of all stakeholders beyond shareholders, such as employees, customers, and the community. Disclosure & Transparency, given a weightage of 30%, highlights the importance of transparent and comprehensive disclosure practices, ensuring stakeholders can access relevant information to make informed decisions. Responsibilities of the Board assigned a 30% weightage, emphasizes the critical role of the board of directors in overseeing corporate governance practices, including strategic decision-making, risk management, and accountability mechanisms. With a total of 100%, these weights offer a structured approach to evaluating corporate governance performance, enabling organizations and stakeholders to assess strengths, weaknesses, and areas for improvement in governance practices (Johnson & Lee, 2021). This framework supports benchmarking against industry standards, regulatory requirements, and best practices, ultimately enhancing Transparency, accountability, and stakeholder trust in the organization's governance processes.

Moreover, to enhance the robustness of the research findings, the dissertation compares regression outcomes between the total Corporate Governance Index calculated using an unweighted method (Bebchuk et al., 2009) and the total Corporate Governance Index (total_cgw) computed through a weighted average approach for individual component indices (ADB, 2013). The application of weights for each question or question group depends on the specific characteristics of Corporate Governance practices in different countries (ADB, 2013). However, the limitation of applying weights is that it leads to non-comparability with previous studies, making it challenging to compare and discuss the results with prior research findings. Therefore, this dissertation opts for an unweighted calculation method for the Corporate Governance Index.

Table 3.2. Calculating the CG Score (Source: Author)

Principle	Questions	Maximum Possible Marks
Rights & equitable treatment of shareholders	39	78
Role of stakeholders	8	16
Disclosures & transparency	32	64
Responsibilities of board	31	32

Formula for calculating the Score for a Principle: (R/M)*W, where
R = marks received based on response to the questions under the principle
M = maximum possible score for the questions under the principle
W = weightage assigned to the principle

Table 3.2 illustrates the process of calculating the Corporate Governance (CG) Score, as derived from the author' source. The Corporate Governance Scorecard is divided into four groups of CG components through 68 criteria, including Rights and fair treatment of shareholders (39 criteria); stakeholder roles - cg_rost(8 criteria); disclosure and transparency - cg_dat(32 criteria); and responsibility of the board - cg_reob(31 criteria). There are 110 criteria on a scale of 0:1:2, corresponding to 110 questions on the scorecard. Therefore, the maximum total score that a company can achieve is 220 points.

To compute the CG Score for each principle, the study propose a formula: (R/M)*W, where R represents the marks received based on responses to the questions under the principle, M denotes the maximum possible score for the questions within the principle, and W signifies the weightage assigned to the principle.

This method systematically evaluates governance performance, providing a quantitative assessment based on assigned weights and achieved marks. Such an approach facilitates a nuanced analysis of corporate governance practices, enabling organizations to identify strengths, weaknesses, and areas for improvement across different governance dimensions. This structured framework enhances Transparency, accountability, and stakeholder confidence in the organization's governance processes.

For example

Principle	R	M	W	Principle Score
Rights & equitable treatment of shareholders	52	78	30	20.00
Role of stakeholders	14	16	10	8.75
Disclosures & transparency	60	64	30	28.13
Responsibilities of board	23	32	30	21.56
CG SCORE				78.44

Final CG Score (rounded off to the nearest integer) = **78.44**

Dependent variables

This dissertation uses Tobin's Q, ROA and ROE as dependent variables to measure firm financial performance.

- Tobin's Q is widely recognized as a firm's performance measure (Lewellen & Badrinath, 1997) and is used in some firm performance measure studies (Eisenberg, Sundgren, & Wells, 1998; Reddy et al., 2008). The thesis calculate Tobin's Q based on Chung and Pruitt's (1994) studies. Accordingly, the approximation of Tobin's Q is computed as the market value of equity, plus the book value of debt, divided by the book value of total assets (Sun & Park, 2017). This method of calculating Tobin's Q has been selected because it offers simplicity in utilizing the data available for our research. In addition, natural logarithmic transformation is applied to Tobin's Q to increase this variable's normality.

$$Tobin's\ Q = \frac{\textbf{Market value equity} + \textbf{Book value of liabilities}}{\textbf{Book value of total assets}}$$

- Many researchers use ROA and ROE to measure firms' performance (such as Demsetz and Villalonga, 2001; Finch & Shivadasani, 2006; Thomsen, Pedersen, and Kvist, 2006; and Rahman and Haniffa, 2006). This dissertation defines ROA as the ratio of net income to the total book value of assets, and ROE is the ratio of net income to total equity. Return on assets (ROA) and return on equity (ROE) have widely been employed as accounting-based measures of a firm's performance in corporate governance literature. In research concerning the measurements of firms' performance dimensions, Al- Matari, Al-Swidi, and

Fadzil (2014) show that the two most commonly used accounting-based measures of firms' performance in corporate governance research are ROA and ROE, which respectively account for 46% and 27% of the total ratio in corporate governance studies dated from 2000 to 2012. According to Epps & Cereola (2008), ROE indicates the profit generated from the shareholders' investment. ROA evaluates the effectiveness of used capital, and measures the earnings generated by the firm from its investment in capital assets.

Control variables

The thesis acknowledges that factors beyond corporate governance, such as capital structure as well as firm-specific and industry-specific effects, can influence a firm's performance. Besides, following Nguyen et al. (2014), to account for these effects and eliminate the potential bias arising from omitted variables, the study includes four control variables: firm size and age (as proxies for firm-specific effects), leverage (as a proxy for capital structure), and industry dummies (as a proxy for industry-specific outcomes). Additionally, the dissertation uses one-year-lagged dependent variables to control the dynamic relationship between corporate governance and a firm's financial performance.

Firm size is measured by adopting the natural logarithm of the market value of equity of non-financial listed firms (Wintoki et al., 2012; Han & Suk, 1998). The market value of equity is chosen to control the size effect because it is a forward-looking measure that accounts for firm growth opportunities and stock market conditions. Furthermore, as the standard accounting system in Vietnam is still developing, for avoiding inaccuracies, the use of the market value of equity as a proxy for firm size is more relevant than financial statement-based measures.

Leverage (denoted as Lev) may impact a firm's financial performance. Debt may reduce a firm's cash flow, preventing managers from misusing resources for their benefit (Jensen, 1986; Ang et al., 2000). However, debtholders may enhance monitoring and external supervision (Rajan & Zingales, 1995; Harris & Raviv, 1991). Nevertheless, high debt can increase a firm's risk of insolvency and reduce financial independence. Leverage is calculated by dividing the total debts' book value by the total assets' book value.

According to Loderer & Waelchli (2010) and Ammari et al. (2016), firm age is measured by adapting the natural logarithm of the number of years that have elapsed from the time a firm became listed on the stock exchange (denoted as lnAge). Older firms have relatively poorer performance and decreasing market share value, possibly due to their inability or unwillingness to design contracts that bind key employees and utilize their ideas and their inability to innovate just like in the case of younger firms. Younger firms appear to be evaluated more highly due to their faster growth and their greater intangible asset intensiveness (Black et al., 2006).

Table 3.3. Definitions of variables

Variables	Acronyms	Definitions
Dependent variables		
Tobin's Q	TobinQ	The market capitalisation plus the book value of liabilities divided by the book value of total assets. The natural logarithm of Tobin's Q is used
ROA	ROA	The ratio of net income to total book value of assets.
ROE	ROE	The ratio of net income to total equity.
Independent variables		
Total corporate governance index	total_cg	the corporate governance index variable determined by the 4 component governance indexes
Rights of shareholder	cg_rosh (H1)	the component governance index variable related to Shareholder rights
Right of stakeholder	cg_rost (H2)	the component governance index variable related to Stakeholder Roles.
Disclosure and infomation transparency	cg_dat (H3)	the component governance index variable related to Disclosure and Information Transparency
Responsibilities of BOD	cg_reob (H4)	the component governance index variable related to BOD Responsibility
	cg_reob_dual (H4a)	Duality is a dummy variable equals 0 when the titles of CEO and Chairman are not merged and equals 1 when the titles are merged.
	cg_reob_none (H4b)	Percentage of non-executive directors on board is defined as the ratio of non-executive

		directors to total number of directors on the board.
Control variables		
Firm size	lnfSIZE	The book value of total assets; The natural logarithm of firm size is used in our models.
Firm age	lnfAGE	The number of years since the firm was listed; The natural logarithm of firm age is used in the models.
Leverage	LEV	The ratio of total debt to total assets of a firm.

3.3. Addressing Dynamic Endogeneity in Corporate Governance Studies

In academic research exploring the relationship between corporate governance (CG) and firm performance, addressing the endogeneity challenge is crucial. Endogeneity arises when variables like governance and ownership factors are intertwined with the error term, leading to biased and inconsistent estimates (Wooldridge, 2002).

Scholars such as Wintoki (2007), Schultz et al. (2010), and Wintoki et al. (2012) have pinpointed three primary sources of endogeneity: "unobserved heterogeneity," "simultaneous endogeneity," and "dynamic endogeneity."

Unobserved heterogeneity, often called omitted variable bias, emerges when unobservable firm-specific components, like managerial competence and organizational culture, affect firm financial performance and governance structures. For example, deficiencies in managerial competence and inadequate employee skills can result in diminished financial performance, prompting the implementing of more robust governance systems.

Simultaneous endogeneity, or simultaneity, occurs when both firm financial performance and governance variables influence each other reciprocally. For instance, insider ownership can impact financial performance, while financial performance may also affect insider ownership, creating a feedback loop.

Dynamic endogeneity, another source of endogeneity, occurs because governance variables may not be strictly exogenous. Current governance can be influenced by past performance, leading to changes in governance structures. For instance, past solid financial performance may necessitate a larger board size for managerial oversight due to firm growth.

Addressing dynamic endogeneity is essential to obtain reliable results when assessing the CG-firm financial performance relationship. Traditional techniques like Ordinary Least Squares (OLS) and

Fixed Effects (FE) estimators must be revised to handle dynamic endogeneity. Therefore, dynamic models that integrate past financial performance are crucial to evaluate the impact of CG on firm performance.

In the dissertation conducted by Wintoki et al. (2012) examining the impact of board structure on 6,000 U.S. firms' financial performance from 1991-2003, the Generalized Method of Moments (GMM) estimator was employed within a dynamic model. Their findings suggested that board structure did not significantly affect financial performance. While the Two Stage Least Square (2SLS) was an option, the dissertation opted for the GMM method. This choice was made due to the persistence of dynamic endogeneity issues in OLS and FE estimators, leading Wintoki et al. (2012) to advocate for the GMM estimator in governance studies to address dynamic endogeneity effectively.

Following this approach, several researchers, including Nguyen et al. (2014), Arora & Sharma (2016), and Ammari et al. (2014), have embraced the GMM method within dynamic models to investigate the corporate governance practice-firm financial performance relationship.

Acknowledging the challenge of dynamic endogeneity in the governance-firm financial performance relationship, this dissertation adopts the Generalized Method of Moments (GMM) method, following the methodology of Wintoki et al. (2012) and Guest (2009). This method is employed to evaluate the impact of corporate governance practice on the financial performance of listed firms in Vietnam. In addressing dynamic endogeneity, conventional methods like the Ordinary Least Squares (OLS) and Fixed Effects (FE) estimators, tailored for static models, need to be revised. Analyzing the dynamic association between governance and performance necessitates employing models incorporating past financial performance. This approach allows for examining the influence of Corporate Governance (CG) on firm performance within a dynamic framework.

3.4. Data Analysis and Estimation technique

The choice between mixed methods, which incorporates both quantitative and qualitative approaches and predominantly quantitative methods, warrants careful consideration in corporate governance research. Despite the versatility and holistic insights that mixed methods offer in various research contexts, there may be better choices for studying corporate governance. The complexity of corporate governance mechanisms and the need for rigorous statistical analysis often favour quantitative methods. For instance, recent studies by Abeysekera and Fernando (2023), Jiraporn and Nguyen (2022), and Al-Janahi and Abeysekera (2023) underscore the importance of robust quantitative analysis in assessing governance mechanisms' effectiveness and their impact on firm performance. Additionally, quantitative methods allow for the analysis of large datasets, such as financial statements and stock market data, which are prevalent in corporate governance research and provide objective measures for evaluation.

Furthermore, compliance with regulatory requirements and benchmarking against industry standards are best addressed through quantitative analysis. While mixed methods can offer valuable insights into stakeholder perspectives and organizational dynamics, the limited scope for qualitative insights in corporate governance research and time and resource constraints may pose challenges (Waldman et al., 2016). Therefore, in corporate governance research, a predominantly quantitative approach is often favoured for its ability to provide rigorous analysis, actionable insights, and evidence-based recommendations.

In this research, the aim is to investigate the connection between the financial performance of companies listed in Vietnam and the Corporate Governance Index, which comprises various governance indexes such as Rights & Equitable Treatment of Shareholders, Role of Stakeholders, Disclosures & Transparency, and Responsibilities of the Board. Existing governance literature, as indicated by Wintoki et al. (2012), highlights the dynamic nature of this relationship. It is emphasized that neglecting the possibility that governance is dynamically linked to past firm performance could lead to endogeneity issues. Addressing endogeneity concerns, this research utilizes two equations (equations (1a) and (1b)) where each incorporates "lagged dependent variables" on their right-hand side. Drawing from Wintoki et al. (2012), this thesis applies the general equation (1) to investigate the relationship between Corporate Governance (CG) and the financial performance of listed firms in Vietnam. Equation (1) represents the total corporate governance index and can be expressed as follows:

$$\underline{Y_{it} = \alpha_{\mathbf{0}} + \alpha_{\mathbf{1}} total_{cg} + \alpha_{\mathbf{2}} lnfSIZE_{it} + \alpha_{\mathbf{3}}\, lnfAGE_{it} + \alpha_{\mathbf{4}}\, LEV_{it} + e_{it} (1a)}$$

Where,

Y_{it} represents the financial performance of firm *i* in year *t*;

$total\_cg_{it}$ stands for the corporate governance index of firm *i* at the year *t*;

α is the constant term;

t denotes the year;

ε_{it} signifies the error tearm;

For the component governance indexes:

$$Y_{it} = \alpha_{\mathbf{0}} + \alpha_{\mathbf{1}} cg_{rosh_{it}} + \alpha_2 cg_{rost_{it}} + \alpha_{\mathbf{3}}\, cg_{dat_{it}} + \alpha_{\mathbf{4}}\, cg_{reob_{it}} + \alpha_{\mathbf{5}} lnfSIZE_{it} + \alpha_{\mathbf{6}} lnfAGE_{it} + \alpha_{\mathbf{7}} LEV_{it} + e_{it} (1b)$$

As measured by Tobin's Q, ROA, and ROE respectively, the baseline equation (1b) can be rewritten as follows:

$$ROA_{it} = \propto_0 + \propto_1 . cg\_rosh_{it} + \propto_2 . cg\_rost_{it} + \propto_3 . cg\_dat_{it} + \propto_4 . cg\_reob_{it} + \propto_5 . lnfSIZE_{it} + \propto_6 . lnfAGE_{it} + \propto_7 . LEV_{it} + e_{it} \quad (2)$$

$$ROE_{it} = \propto_0 + \propto_1 . cg\_rosh_{it} + \propto_2 . cg\_rost_{it} + \propto_3 . cg\_dat_{it} + \propto_4 . cg\_reob_{it} + \propto_5 . lnfSIZE_{it} + \propto_6 . lnfAGE_{it} + \propto_7 . LEV_{it} + e_{it} \quad (3)$$

$$TobinQ_{it} = \propto_0 + \propto_1 . cg\_rosh_{it} + \propto_2 . cg\_rost_{it} + \propto_3 . cg\_dat_{it} + \propto_4 . cg\_reob_{it} + \propto_5 . lnfSIZE_{it} + \propto_6 . lnfAGE_{it} + \propto_7 . LEV_{it} + e_{it} \quad (4)$$

In governance research, the Ordinary Least Squares (OLS) estimator was widely used until endogeneity concerns arose. OLS estimation involves minimizing the squared differences between observed sample values and predicted values of the dependent variable. For OLS to be valid, four assumptions must hold: the regression model must be linear in parameters, observations must be randomly sampled, no multicollinearity, and the conditional mean must be zero (Wooldridge, 2012).

However, fixed effects within the error term, representing firm-specific characteristics, can impact governance and firm-related variables. For instance, deficiencies in managerial skills or employee expertise might lead to diminished firm financial performance, prompting the establishment of robust governance systems to oversee managers. Consequently, the fourth assumption (zero condition mean) must be met, resulting in biased and inconsistent OLS estimates. To counteract this, the Fixed Effects (FE) method eliminates endogeneity arising from unobserved firm-specific fixed effects. The FE estimator's objective is to remove these fixed effects from the error term, thereby addressing the endogeneity issue.

The regression method employed to obtain the research results was as follows: For each financial efficiency variable, a regression model was used, and potential errors such as variance changes, multicollinearity, and endogeneity were tested. Subsequently, the dissertation conducted several tests to select appropriate regression models, including:

- **F-Test**: Utilized to compare and choose between Pooled Ordinary Least Squares (OLS) or Fixed Effects Model (FEM).
- **LM Test** (Breusch-Pagan Lagrange Multiplier): Employed to select between Pooled OLS or Random Effects Model (REM).
- **Hausman Test**: Used to compare the choice between FEM or REM.

However, a limitation of these regression models is their inability to handle potential hidden endogeneity issues. Therefore, the dissertation applied the **Generalized Method of Moments (GMM)** method to address endogeneity problems if detected in the regression models. In this context, the GMM method was chosen due to its ease of application, widespread use, and ability to be applied to each equation without considering other equations.

In addition, the equation contains the same number of instrumental variables as endogenous variables, making GMM regression essentially an instrumental variable regression method. Specifically, the dissertation's data analysis proceeded as follows: First, after checking the data, it was found that there was a phenomenon of changing variances in the research model. To address this issue, the regression model was executed using robust commands in the Stata software if this phenomenon was detected. Second, tests for multicollinearity were conducted, and it was determined that this was not a concern for the dissertation's analyses based on the correlation coefficients presented in the data description section. Finally, the relationship between the Corporate Governance Index (CGI) and Financial Efficiency could suffer from endogeneity issues due to the possible causal relationship between CGI and financial efficiency (Lehn et al., 2007; Wintoki et al., 2012). Hence, studies typically choose Fixed Effects Models (FEM) to mitigate endogeneity problems in cases where appropriate instrumental variables cannot be identified (Cheung et al., 2010).

However, research by Connelly et al. (2012), Wintoki et al. (2012), and Lehn et al. (2007) found that controlling well for past performance would eliminate the simultaneous relationship between the corporate governance index and firm value. Therefore, endogeneity issues in the model were addressed as follows:

+ If endogeneity was detected in the regression model of the total Corporate Governance Index (total_cg) using the Durbin Wu-Hausman test (Black, Jang, et al., 2006a), the dissertation addressed this by adding instrumental variables to the regression model. These instrumental variables were calculated as the average of the past years' performance related to Financial Efficiency variables (ROA, ROE and Tobin's Q), named roa_a, roe_a and lnq_a respectively, corresponding to the financial performance variables.

+ For the regression model of individual components of the Corporate Governance Index, if endogeneity was detected, instrumental variables proposed for use in the regression model had the same number of variables as the components of the Corporate Governance Index. In line with Schultz et al. (2010) and Nguyen et al. (2015), this thesis treats all explanatory variables and the remaining control variables as endogenous, except for three control variables (firm year [lnfAge], firm size [lnfSize], and firm leverage [lev]). These specific control variables are incorporated into the DWH test and regarded as "strictly exogenous." The thesis utilizes one-year "lagged differences" of suspected endogenous explanatory and control variables:

- firm leverage, representing the ratio of total debt to total assets of a firm (Jensen (1986) and Ang et al. (2000));
- firm size, representing the book value of total assets; The natural logarithm of firm size is used in our models (Han & Suk (1998)); and
- firm year (lnfAge), indicating the years the company had been listed, logarithmically transformed (Cheung et al., 2010).

Therefore, equations (1a), (1b) are described as follows:

$$Y_{it} = \alpha_0 + \alpha_1 Y_{it-1} + \alpha_2 total\_cg_{it} + \alpha_3 lnfSIZE_{it} + \alpha_4 lnfAGE_{it} + \alpha_5 LEV + \varepsilon_{it} \quad (1'a)$$

$$Y_{it} = \alpha_0 + \alpha_1 Y_{it-1} + \alpha_2 cg\_rosh_{it} + \alpha_3 cg\_rost_{it} + \alpha_4 cg\_dat_{it} + \alpha_5 cg\_reob_{it} + \alpha_6 lnfSIZE_{it} + \alpha_7 lnfAGE_{it} + \alpha_8 LEV_{it} + u_{it} \quad (1'b)$$

Summary

The thesis's dataset is an unbalanced panel of 302 Vietnamese-listed companies, totalling 906 observations between 2020 and 2022. This sample size surpasses previous research focusing on Vietnam's stock market that explores the interplay between board and ownership structures, essential components of corporate governance (CG), and the financial performance of non-financial listed firms in the country. Utilizing Tobin's Q as the primary "market-based measure" of financial performance, this thesis delves into its association with various corporate governance practices, including the Total corporate governance index, Rights of shareholders, Rights of stakeholders, Disclosure and information transparency, and Responsibilities of BOD. The thesis integrates firm size, leverage, age, and year dummies as control variables. To address potential dynamic endogeneity issues in exploring the CG - financial performance relationship among Vietnamese listed firms, this thesis employs a two-step SYS-GMM estimator across four dynamic models. The justification for this approach involves employing the DHW test to evaluate the endogeneity of regressors. Following Wooldridge's recommendations (2001), the SYS-GMM estimator is preferred over the FE estimator when dealing with heteroscedasticity and autocorrelation. To validate the SYS-GMM technique's appropriateness, the thesis performs modified Wald and Wooldridge tests to examine "heteroscedasticity" and "autocorrelation" within the sample. Confirmation of the GMM estimator's validity entails the Hansen-J test to assess the "overidentifying restrictions" concerning instrument validity and model specification and the Arellano and Bond test for "autocorrelation."

In conclusion, this chapter begins with discussions on the method of scoring the corporate governance index, describing the steps taken, checks during scoring, and cross-checks for final verification. Moreover, this chapter's content introduces the scoring method for each component of the corporate governance index and the total corporate governance index. Furthermore, the chapter introduces, constructs, and explains the variables used in the regression model, the method for selecting an appropriate regression model, and outlines the research model of the thesis. Chapter 4 analyzes and interprets the data using the research methods presented in Chapter 3.

\

Chapter 4

Empirical results

4.1. Descriptive statistics

The dataset initially comprised 420 companies over three years, totalling 1260 observations. After a particular data cleaning process, which involved removing outliers such as delisted companies, stocks with trading restrictions, and those with irregular trading volumes or financial anomalies, the dataset was refined to include 302 stock market-listed companies as of 2022. This refinement resulted in a total of 906 observations, significantly enhancing the dataset's reliability and relevance for annual evaluation. According to Li M. et al. (2019), removing companies that are no longer active, exhibit atypical trading behaviour, or have significant financial inconsistencies ensures that the analysis focuses on stable and pertinent data, thereby improving the accuracy of any insights derived. This cleaned dataset minimizes biases and anomalies, providing a robust foundation for various analytical approaches, such as descriptive statistics, time series analysis, and predictive modelling, offering a comprehensive view of market trends and company performance over three years. The list of enterprises is provided in the Appendix.

Table 4.1.a Descriptive statistics of the variables used in the thesis (Source: author)

Variable	Obs.	Mean	Median	SD	Min	Max
TobinQ	906	0.99	0.92	0.66	0.23	5.69
ROA	906	0.05	0.03	0.07	(0.14)	0.31
ROE	906	0.10	0.06	0.11	(0.15)	0.39
Total_cg	906	0.65	0.68	0.14	0.32	0.92
Total_cgw	906	0.66	0.66	0.10	0.39	0.90
Cg_rosh	906	0.58	0.60	0.15	0.20	0.89
Cg_rost	906	0.63	0.75	0.34	-	1.00
Cg_dat	906	0.66	0.66	0.12	0.29	0.92
Cg_reob	906	0.74	0.76	0.11	0.38	0.94
lnfSIZE	906	29.53	27.61	1.26	25.88	32.87
lnfAGE	906	1.45	3.39	0.57	1.79	5.09
LEV	906	0.47	0.58	0.25	0.01	0.98

The thesis encompassed 302 companies per year listed on the Vietnam Stock Exchange (VNX) from 2020 to 2022 and evaluated for their corporate governance practices. The panel data selected was unbalanced across years due to fluctuations caused by new listings or cancellations during the research period, thus impacting the sample. Company information was sourced from publicly available reports, encompassing audited financial statements, annual reports, and management reports. VNX provided stock prices between 2020-2022, used in evaluating corporate governance practices, while financial data spanned the same period. Two research models were employed: the first involving one dependent variable (firm financial performance), one explanatory variable (total CG index), and three control variables; the second comprising one dependent variable and five explanatory variables, including four component CG indexes, alongside three control variables. Each model utilized distinct datasets for calculations.

Table 4.1a report the descriptive statistics of the variables employed in this thesis. Tobin's Q, which measures the financial performance of the listed firms of the sample data, ranges from the lowest value of 0.06 to the highest value of 2.69, with a mean value of 0.75 and a median value of 0.56. Both the mean and median values of Tobin's Q are slightly lower than one, which means the market value is lower than the book value. The average Tobin's Q of the data in this thesis is higher than the mean value of Tobin's Q (0.85) reported by Ha (2015) during the period 2019-2020. This is reasonable as this reflects the rise of the Vietnam stock market after the financial crisis of the COVID-19 pandemic.

Table 4.1.a summarizes basic descriptive statistics of CG indicators, ROA, ROE, TBQ, instrumental variables, and control variables from the year 2020. The total corporate governance index (total_cg) calculated with the unweighted calculation method score ranges from 0.32 to 0.92 with a mean of 0.65 and a standard deviation of 0.68, while the weighted total CG index (total_cgw) does not differ much, and exhibited a range of scores from 0.39 to 0.90 with a mean of 0.66 and a deviation of 0.66. Here, for checking the robustness of the research results, the total index calculated with the weighted method is only used for comparison with the total governance index calculated with the unweighted method. The variable lnLEV is taken as a decimal logarithm, so the mean value is -0.0024.

Figure 4.1a CGI index period 2020-2022

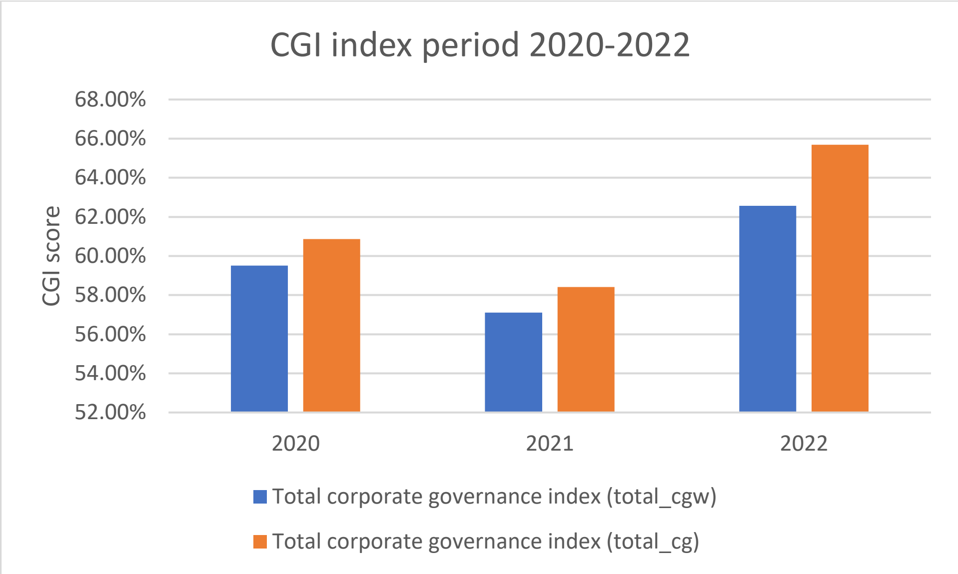
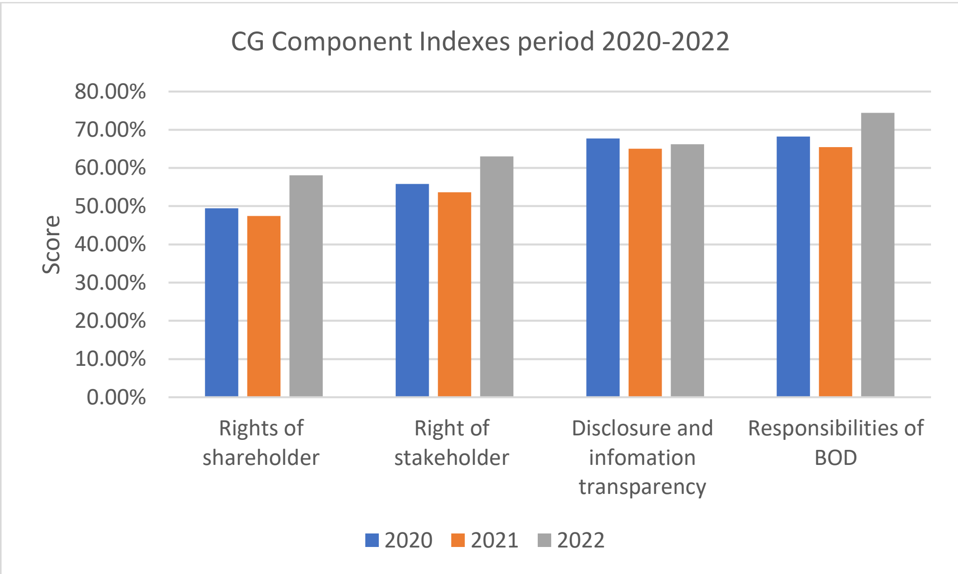


Figure 4.1b CG Component Indexes period 2020-2022



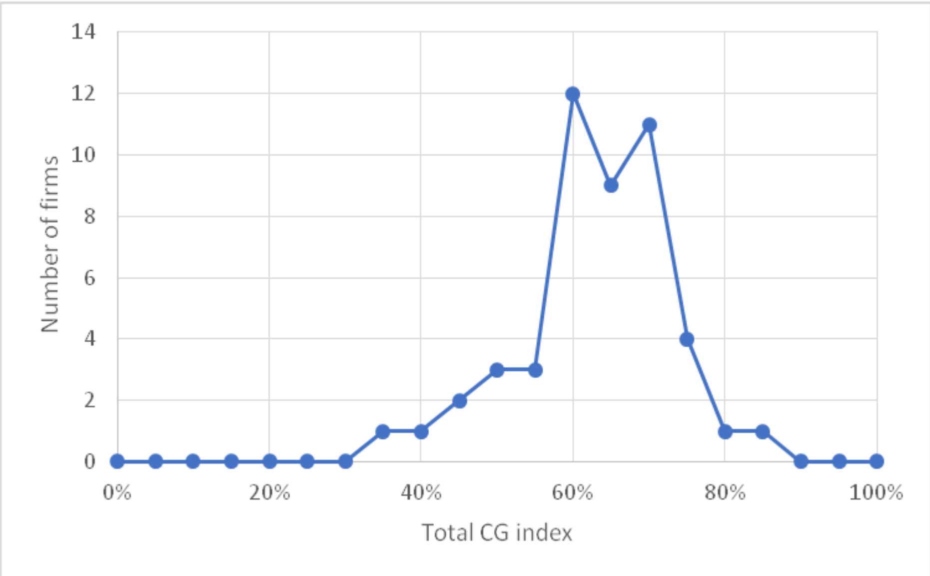
Figures 4.1.a and 4.1.b show the scores of the total corporate governance index and of the component indexes over the years. The data show that, concerning the four OECD principles (2015), the results reveal consistent progress across the principles and a higher score with average scores of over 50%. Furthermore, the responsibilities of the BOD index, which has met the minimum requirement of good practice, is 60%. The rights of shareholders index scores about 50% in 2020-2021, but in 2022 it increases to nearly 60%. The increase in points in this principle is that the examined companies properly paid dividends to shareholders as committed in the Minutes of the General Meeting of Shareholders. In addition, the companies observed a specific payment time. According to OECD regulations, dividend payments must

be made within 30 days from the date of the General Meeting of Shareholders. Such practice increases shareholder confidence. In general, the corporate governance practice of listed companies in Vietnam has improved compared to the assessment of IFC (2012) and ADB (2013).

Considering the time of the listing of the enterprises examined, the assessed enterprises have an average number of 4.57 trading years. Out of this, companies under three years of trading account for about 15%, over seven years account for about 4%. About 75% of firms have registered between 3 and 7 years, which marks the end of the evaluation list. All component corporate governance indexes in 2022 scored an average of over 50%. Among these, cg_dat showed the most significant advancement compared to the statistics provided by ABD (2013), as illustrated in Table 4.1a.

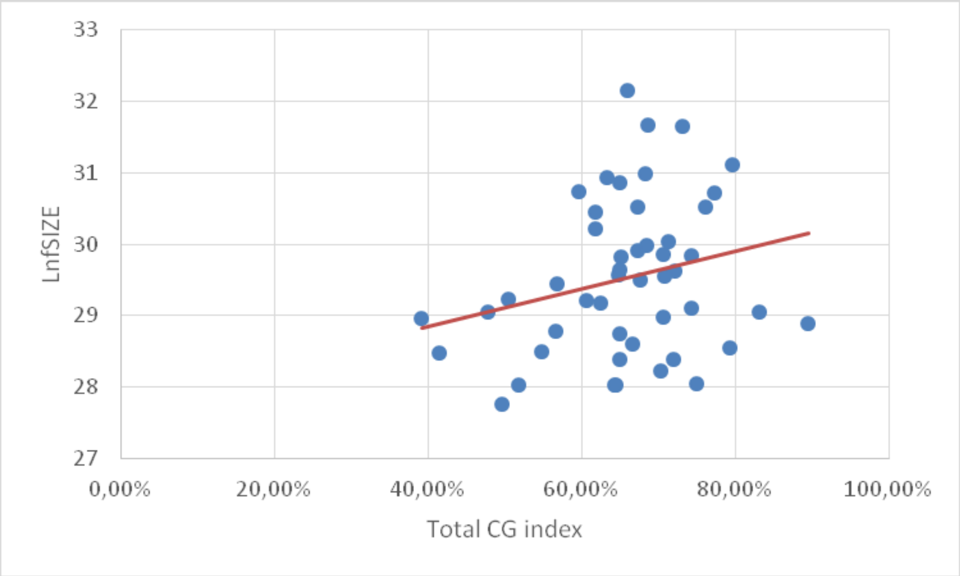
Figure 4.1.c shows that the distribution of the total CG scores tends to skew to the right, similarly to previous years, which confirms that most enterprises show higher-than-average quality.

Figure 4.1.c Distribution of CG scores



(source: the author)

Figure 4.1.d Relationship between Firm Size and CG Index



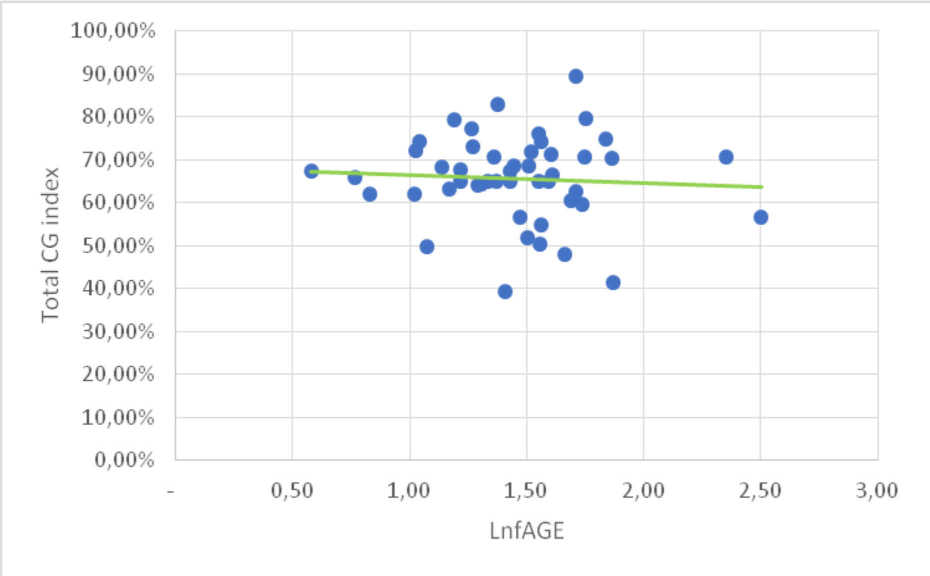
source: the author

The trends line in Figure 4.1d shows that firms with higher market capitalization and total assets tend to have better CG quality. Larger businesses, interpreted on the basis of market capitalization or total assets, often have more complex business activities because of the diversity and specificity in industries, areas of operation, as well as the number of shareholders, investors, member companies, and affiliated companies. Therefore, strengthening corporate governance activities, especially practicing the CG code, helps large enterprises to meet the provisions of the law better, aids them in improving operating efficiency, reduces risks and develops sustainably.

The trend in the Figure 4.1d indicates that companies with higher market capitalization and total assets generally exhibit better corporate governance quality (La Porta et al., 2006; Demsetz & Lehn, 1985; Gompers et al., 2003). Larger-scale enterprises, based on market capitalization or total assets, often engage in more complex business operations due to the diversity and specificity within industries, operational domains, as well as the number of shareholders, investors, subsidiaries, and affiliated companies (Bhagat & Bolton, 2008; Yermack, 1996). Therefore, strengthening corporate governance activities, especially practicing the CG code, helps large enterprises to meet the provisions of the law better, aids them in improving operating efficiency, reduces risks and develops sustainably (La Porta et al., 2006; Gompers et al., 2003).

On the other hand, adhering to legal regulations and implementing advanced practices requires substantial time and resources, both financial and human (Bhagat & Bolton, 2008). Hence, larger enterprises typically possess better capabilities and resources to fulfil these requirements (Demsetz & Lehn, 1985). The figure demonstrates that companies with larger market capitalization and total assets tend to score higher in governance quality, consistent with prior research findings (Yermack, 1996; Gompers et al., 2003).

Figure 4.1.e Relationship between Firm Age and CG Index



Source: the author

Figure 4.1e indicates that a lengthy listing period does not guarantee better corporate governance capabilities. Evidence from Figure 4.1e might illustrate a scenario where companies with an extended listing history, usually associated with having more experience and resources, might not consistently exhibit superior corporate governance capabilities (La Porta, Lopez-de-Silanes, & Shleifer, 2006; Bhagat & Bolton, 2008; Yermack, 1996). This contradicts the assumption that extended existence in the market automatically translates to enhanced governance practices (Bebchuk & Cohen, 2005). Possible explanations could be that the focus on compliance or resource allocation might have been directed towards something other than governance enhancement over time, or the company might have faced other internal or external challenges impacting its corporate governance practices (La Porta et al., 2006).

However, without detailed insights from Figure 4.1e or additional context, it is essential to consider various factors that influence corporate governance. External factors, shifts in regulatory environments, changes in leadership, or market dynamics could all play a role in these observations (Yermack, 1996; Bhagat & Bolton, 2008). Further analysis and specific details from the figure provide a more comprehensive understanding of why extended listing periods might not correlate directly with improved corporate governance capabilities.

4.2. Correlation matrix and multi-collinearity diagnostic

The table 4.2a depicts the correlation matrix showcasing the relationships among the thesis's variables. As illustrated, the correlation coefficients for the explanatory variables stand below 0.8. This suggests significant "multi-collinearity" issues are absent among these regressors (Damodar, 2004; Gujarati, 2008).

Furthermore, an additional assessment for "multi-collinearity" involves examining the "variance inflation factors" (VIFs) pertaining to the explanatory variables utilized in equations 1a to 1b. Table 4.2b reveals that all VIFs remain below the recommended threshold of 10, as Chatterjee and Hadi (2012) advocated. This observation implies the absence of a multi-collinearity problem within the context of this thesis.

Table 4.2a presents correlation coefficients between variables. In general, the total corporate governance index (total_cg) and the component corporate governance variables are positively correlated with ROA, ROE, and TobinQ.. In addition, Table also shows that the magnitude of the correlation coefficient used to compare the impact results between the unweighted and weighted total CG index is not much different.

Table 4.2.a Pair-wise correlation coefficients

	total_cg	**cg_rosh**	**cg_rost**	**cg_dat**	**cg_reob**	**TobinQ**	**ROE**	**ROA**	**lnfSIZE**	**lnAGE**	**Lev**
total_cg	1										
cg_rosh	0.7384	1									
cg_rost	0.4999	0.0864	1								
cg_dat	0.6856	0.2657	0.3586	1							
cg_reob	0.7576	0.3722	0.2499	0.3744	1						
TobinQ	**0.0079**	**0.0007**	**0.0392**	**0.0002**	**0.0045**	1					
ROE	**0.0367**	**0.0675**	**0.018**	**0.0278**	**0.0236**	0.2237	1				
ROA	**0.0087**	**0.0311**	**0.0308**	**0.0128**	**0.0306**	-0.0368	0.3769	1			
lnfSIZE	0.5879	0.3702	0.4003	0.4521	0.4182	0.0148	-0.0608	-0.051	1		
lnAGE	-0.0185	-0.0566	0.0014	-0.006	0.0266	-0.0097	0.0446	0.0003	-0.0102	1	
Lev	-0.006	-0.0213	-0.0194	-0.0065	-0.0043	-0.0333	-0.0076	-0.0194	-0.0067	-0.016	1

Source: author calculation

Table 4.2.b Variance Inflation Factors (VIFs) of the explanatory variables

Variable	**VIF**
total_cg	1.53
cg_rosh	5.7
cg_reob	5.05
cg_rost	1.53
cg_dat	4.33
lnfSIZE	1.57
lnAGE	1.01
Lev	1.00

Source: author calculation

4.4. Empirical results

4.4. Data analysis

The empirical results present regression outcomes employing three models—Pooled OLS, FEM, and REM—regarding the influence of total_cg on Firm Financial Performance within the same year. Meanwhile, Tables 4.4d and 4.4e outline results on endogeneity treatment using the GMM regression method. The outcomes are discussed in two ways:

+ If endogeneity is detected in the regression model, the discussion focuses on outcomes post-endogeneity treatment (GMM).

+ If no endogeneity is identified in the model after testing, the discussion revolves around regression outcomes from one of the three most appropriate regression models post-conducting tests, including the White test, Lagrangian multiplier, and Hausman tests.

Table 4.4.a The Durbin-Wu-Hausman test for the endogeneity of the regressors

Hausman test	**Equation 1a**			**Equation 1b**		
Var	**ROE**	**ROA**	**TobinQ**	**ROE**	**ROA**	**TobinQ**
Ho: Regressors are exogenous						
chi2	chi2(4)=13.87	chi2(4)=7.12	chi2(4)=4.73	chi2(7)=6.62	chi2(7)=19.52	chi2(7)=11.03
P-value	0.008*	0.130	0.316	0.470	0.007*	0.137

(Source: author calculation)

Table 4.4.b The White test for unrestricted heteroscedasticity and the Wooldridge test for autocorrelation

White and Wool test	**Equation 1a**			**Equation 1b**		
Var	**ROE**	**ROA**	**TobinQ**	**ROE**	**ROA**	**TobinQ**
Modified Wald test for heteroscedasticity (Ho: homoscedasticity)						
chi2	chi2(20) = 225.56	chi2(20) = 93.61	chi2(20) = 19.48	chi2(44) = 227.91	chi2(44) = 125.70	chi2(44) = 31.97

P-value	0.000	0.000	0.000	0.000	0.000	0.912
Wooldridge test for autocorelation (Ho: no autocorrelation)						
F statistic	F(1, 285) = 38.976	F(1, 285) = 0.888	F(1, 287) = 164.681	F(1, 285) = 40.197	F(1, 285) = 0.951	F(1, 287) = 168.427
P-value	0.000	0.000	0.000	0.000	0.000	0.000

(Source: author calculation)

Table 4.4.c Specification test of GMM estimator

Specification Tests results	Equation 1a			Equation 1b		
Var	**ROE**	**ROA**	**TobinQ**	**ROE**	**ROA**	**TobinQ**
AR(1) in first differences	Z = -3.267	Z = -3.395	Z= -3.395	Z= -4.691	Z= -4.444	Z= -4.797
(p-value)	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]
AR(2) in first differences	Z = -1.35	Z = -1.33	Z = - 1.09	Z = - 1.54	Z = -1.11	z = 1.22
(p-value)	[0.181]	[0.178]	[0.174]	[0.123]	[0.000]	[0.000]
Hansen-J test for overidentifying restrictions	chi2(15) = 17.10	chi2(15) = 12.53	chi2(15) = 12.26	chi2(21) = 13.05	chi2(21) = 12.23	chi2(21) = 14.2
	Prob>chi2=1.000	Prob>chi2=1.000	Prob>chi2=1.000	Prob>chi2=1.000	Prob>chi2=1.000	Prob>chi2=1.00
Number of groups	287	287	287	287	287	287
Number of instruments	14	14	14	14	14	14

(Source: author calculation)

4.4.1. Impact of Total Corporate governance index and Firm Financial Performance

The examination of endogeneity through GMM in tables 4.4.a reveals distinct patterns in the relationship between total corporate governance (total_cg) and firm financial performances. The regression analyses with dependent variables ROA and TobinQ indicate endogeneity. The result presents the outcomes of the Durbin-Wu-Hausman test across three models. The rejection of "the null hypothesis" across all models at varying significance levels indicates the endorsement of treating the suspected endogenous variables as genuinely endogenous. Therefore, the application of the Generalized Method of Moments (GMM) estimator as the suitable technique for this particular thesis.

Wooldridge (2002) suggests that when "exogeneity" and "autocorrelation" are present, the GMM method operates more effectively than the FE estimation tool. In this thesis, for equations (1a) and (1b), the study conducted the modified Wald test to examine "heteroscedasticity" and applied Wooldridge's test for "autocorrelation" within panel data (Table 4.4b).

Table 4.4b demonstrates the results obtained from the modified Wald test assessing "heteroscedasticity" and Wooldridge's test examining "autocorrelation" within the dataset. The findings reveal that, at the 1% significance level, neither the modified Wald test nor Wooldridge's test refute the null hypothesis, indicating evolving variance and autocorrelation within the data selection. Consequently, following Wooldridge (2001), the GMM technique is considered more appropriate than the FE estimation method for evaluating the association between corporate governance and a company's financial performance when confronted with "heteroscedasticity" and "autocorrelation" in this situation. Additionally, as Roodman (2009a) suggested, when "exogeneity" is prevalent, GMM with finite sample correction demonstrates excellent effectiveness. Hence, the GMM approach is employed in this thesis.

Analysis based on GMM in tables 4.4d demonstrates a robust positive association between the total corporate governance index and firm financial performance variables (such as ROA and TobinQ) at a significant level of 1%. Besides, a significant relationship with ROE is observed across the same year periods. These findings align with earlier research by Connelly et al. (2012), Ly & Duc (2016), Nguyen et al. (2014), and Wintoki et al. (2012), reinforcing the primary hypothesis of this thesis.

To further validate the outcomes above, two robustness tests were conducted. Firstly, the thesis assessed the correlation between the instrumental variable (IV) and the total_cg variable. The results depicted in Table 4.4.d, 4.4.e ascertain the appropriateness of these instrumental variables due to their significant correlation with total_cg. This correlation indicates that endogeneity concerns within the regression model have been effectively addressed. Specifically, tests for the FP variable ROE unveiled a lack of endogeneity in all three cases, leading to the explanatory outcomes presented in Tables 4.4.d for the OLS columns.

Secondly, the thesis compared project results with the regression outcomes of the total CG index (total_cgw) computed based on the weighted ratio of component CG indexes released by the IFC on CG in Vietnam in 2012. These weights encompass 30% for shareholder rights (cg_rosh), 10% for stakeholder role (cg_rost), 30% for transparency and disclosure (cg_dat), and 30% for the Board of Directors' responsibility (cg_reob). Beside, the weighted regression analysis of the total_cgw variable mirrors results like those derived from the unweighted total_cg index (Appendix 2).

Table 4.4d also showcases the outcomes from conducting specification assessments of the SYS-GMM estimator on equations (1'a) through (1'b). These tests, such as the Arellano and Bond evaluation for "autocorrelation" and the Hansen-J examination for "over-identifying restrictions," hold significance in verifying "the reliability of the SYS-GMM estimations" within the scope of this research. The results exhibits the specification assessments conducted on the SYS-GMM estimator. The AR(1) tests display negative z-statistics at a p-value of 0.000 in equations (1a) through (1b), indicating the existence of first-order serial correlation in difference AR(1), aligning with the suggestions proposed by Arrelano and Bond (1991). Conversely, the AR(2) test showcases p-values exceeding 0.1 (p-values of 0.178, 0.182 and 0.115, for ROE, ROA and TobinQ, respectively). This signifies the absence of "serial correlation in the second-order of the idiosyncratic disturbance in differences" AR(2), indicating no autocorrelation in the first-order in the levels of the idiosyncratic disturbance. Moreover, following Roodman (2009b), it is permissible to utilize two or higher-level lags as instrumental variables in the differentiated equations. The results from the AR(2) tests validate the suitability of lags of the order as valid instruments in equations (1'a) through (1'b).

The results from the Hansen-J test, displayed in Table 4.4d, indicate J statistics of 7.11 with a p-value of 0.612 in equation (ROE), 2.46 with p = 0.344 in equation (ROA), 3.51 with p = 0.477 in equation (TobinQ). The p-values for all equations are more significant than 0.1, suggesting that the "null hypothesis" for the valid instruments cannot be rejected. Therefore, all instruments used in those equations are exogenous, valid, and adequately specified. Additionally, the Hansen test to examine the "exogeneity of the instrument set" is conducted in this thesis. The results from the Hansen test show all p-values above 0.1, representing the exogeneity of the "instrument set," namely the "GMM instruments" at both the firm and IV levels. Moreover, Roodman (2009b) suggests that in the SYS-GMM estimation, the "number of instruments" should be fewer than the "number of groups" (number of listed companies in this thesis) to ensure efficient SYS-GMM estimation. The regression results also indicate that the "number of instruments" is less than the "number of groups" in all equations, which might not pose a concern.

The thesis results show that the impact of the CG index on company performance only spreads one year later. According to the regression results of the ROE variable, the total_cg index strongly impacts ROE for the appropriate OLS model in Table 4.4.d. This result is consistent with the thesis of Ertugrul & Hegde (2009) when using aggregated management scores available on the market to examine the relationship with firm performance, and the results show that it is impossible to predict future financial performance.

Columns 5, 9, and 13 within Table 4.4d exhibit the estimated coefficients derived from the GMM estimator for the Total Corporate Governance (CG) index. The findings indicate a significant and positive influence of the total_cg on the financial performance of listed Vietnamese firms. Company size positively correlates with firm financial performance, as denoted by the estimated coefficient and t-value (estimated coefficient = 2.341, 0.295 and 0.096, t-value = 11.45, 2.68 and 2.56 for each respective indicator).

Similarly, company leverage showcases a positive association with financial performance, demonstrating statistical significance at the 10% level. Conversely, company age does not yield any discernible impact on the firm's financial performance. More specifically, lnAGE exhibits insignificance while displaying a positive relationship with ROE, ROA, and TobinQ (estimated coefficient = -3.77, -0.06 and -0.021, t-value = 1.31, -0.98 and -0.68 for each indicator).

Interestingly, within the estimations conducted, ROE displays significance and a positive correlation with lnAGE in the GMM and FE estimators. However, in the OLS estimator, lnAGE indicates significance but exhibits a negative relationship with ROE. Conversely, ROA and TobinQ show a positive association with lnAGE across all three estimators, yet they are significant only in the GMM estimator.

The discrepancies observed across estimators stem from biases inherent in the OLS estimator due to endogeneity issues. Specifically, the OLS estimator fails to address simultaneity endogeneity and the "unobserved heterogeneity endogeneity" originating from correlations between a firm's financial performance and governance variables and unobservable firm-specific components (Roberts and Whited, 2013). Additionally, incorporating the "lagged dependent variable" (l.ROE, l.ROA, l.TobinQ) into the equation, as recommended by Wooldridge (2002), causes the OLS estimator to be "biased and inconsistent." While the FE estimator eliminates unobservable firm-specific components, it fails to resolve dynamic endogeneity resulting from the correlation between the lagged dependent variable and the error term (Bond, 2002). Consequently, the FE estimator also generates biased outcomes.

The change in the estimated coefficient's sign from positive to negative, as observed while moving from the OLS and FE estimators to the GMM estimator, highlights the bias arising from overlooking unobservable heterogeneity and the dynamic relationship between governance and firm performance (Wintoki et al., 2012).

The outcomes derived from the GMM estimator reveal a significant positive relationship between three financial performance indicators and the total_cg at the 1% significance level. These results substantiate hypothesis 1, indicating that the overall corporate governance index positively influences the financial performance of listed companies in Vietnam. Specifically, the coefficient suggests that with a one-percentage-point increase in the total corporate governance index, firm performance is projected to rise by an average percentage (68.8% for ROE, 42.8% for ROA and 39.3% for TobinQ), holding other factors constant. This observation aligns with previous studies conducted on Vietnam's data, reinforcing the consistency and validity of our findings.

The regression findings depicted in the table concerning the total_cg variable highlight an array of consequential impacts on financial performance, particularly on indicators like Return on Equity (ROE), Return on Assets (ROA), and Tobin's Q. It is evident that robust corporate governance practices exert a multifaceted positive influence on these metrics.

In summary, the thesis using GMM analysis found that good corporate governance practices significantly correlate with firm financial performance, positively impacting firm fiancial performance. The robustness tests confirmed these correlations and highlighted the absence of multicollinearity in the regression models.

Firstly, effective corporate governance not only exhibits a favourable impact on financial performance within the same fiscal year, as seen in the case of ROA and Tobin's Q, but it also significantly influences ROE. Sound governance policies instil confidence among investors, potentially increasing investment and leading to heightened profitability, thereby enhancing ROE.

Moreover, good governance practices extend their impact beyond immediate financial metrics. They play a pivotal role in reducing stock market fluctuations and mitigating the risk associated with future stock price volatility. This contributes to establishing a more stable and secure investment landscape, particularly appealing to long-term investors seeking financial security.

The correlation between good corporate governance and enhanced financial performance resonates with the findings outlined in the research conducted by Bhagat and Bolton (2008). Their thesis underscores the consistent positive relationship between sound governance practices and improved financial outcomes, reinforcing the critical role of governance in shaping financial performance metrics like ROE, ROA, and Tobin's Q.

Finally, the thesis addressed heteroskedasticity concerns, revealing that good governance practices enhance financial performance and create greater financial security for investors. However, the impact of governance on company performance may only manifest a year later, as observed in prior research. This emphasizes the complexity of predicting future financial performance, aligning with previous studies (Jang et al. , 2006a and Cheung et al., 2011).

Table 4.4d Impact of Total corporate governance index on the firm financial performance

Variables	ROE				ROA				TobinQ			
	OLS	FEM	REM	GMM	OLS	FEM	REM	GMM	OLS	FEM	REM	GMM
total_cg	0.688***	-0.008	0.082***	-0.439	0.345***	0.076	-0.433	0.428***	2.689***	1.082***	2.179	0.393***
	[3.22]	[0.994]	[0.01]	[6.46]	[2.29]	[0.48]	[6.71]	[8.30]	[9.41]	[2.85]	[8.38]	[6.54]
lnAGE	-3.772	0.012	-0.021	0.071	3.772	-0.014	-0.012	0.060*	3.772	-0.016	-0.012	0.021
	[1.31]	[0.36]	[1.31]	[-0.98]	[1.31]	[1.23]	[0.36]	[-0.98]	[1.31]	[-1.30]	[0.31]	[-0.68]
lnfSIZE	2.341	0.037***	0.297***	0.130***	2.341	0.035***	0.295***	0.099**	2.341	0.035***	0.291***	0.096***
	[11.45]	[31.50]	[1.45]	[2.81]	[1.45]	[10.54]	[31.45]	[2.68]	[11.45]	[1.35]	[13.93]	[2.56]
Lev	1.557	0.081***	0.448***	0.326**	1.557	0.078***	0.470***	0.275**	1.557	0.065***	0.461***	0.314**
	[0.26]	[4.26]	[12.26]	[-2.24]	[0.26]	[4.46]	[-12.20]	[-1.19]	[0.26]	[3.26]	[10.26]	[2.19]
_cons	58.83	23.78**	18.73**	0								
	[1.44]	[2.10]	[2.13]	[.]								
F	213.883	202.88	22.88	32.583	111.11	212.69	204.35	4.87	188.2	171.33	123.44	54.23
Prob>F	0.006	0.004	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
R^2	0.714				0,0231				0,1427			
AR(1) (p-value)				0.000				0.000				0.000
AR(2) (p-value)				0.178				0.182				0.115
				Chi2(15)=7.10				Chi2(15)=2.45				Chi2(15)=3.50
Hansen-J test of overidentification (p-value)				0.612				0.344				0.477

Note: t statistics in brackets, ***, **, * significant at the 1%, 5%, and 10% levels, respectively ***Source: author calculation***

Table 4.4e Impact of components corporate governance index on the financial performance

Variables	ROA				ROE				TobinQ			
	OLS	FEM	REM	GMM	OLS	FEM	REM	GMM	OLS	FEM	REM	GMM
1	2	3	4	5	6	7	8	9	10	11	12	13
l.ROA	**0.698*** **	**0.612*** **	**0.082*** **	**0.339*** **								
	[13.78]	[41.98]	[4.44]	[3.88]								
l.ROE					**0.698*** **	**0.615*** **	**0.081*** **	**0.439*** **				
					[13.78]	[42.18]	[4.46]	[4.88]				
l.TobinQ									**0.690*** **	**0.612*** **	**0.082*** **	**0.428*** **
									[13.80	[41.98]	[4.44]	[3.88]
cg_rosh	-0.011	-0.04	-0.038	0.021	0.016*	-0.182	-0.029***	-0.140*	0.037***	0.148	0.297***	0.130***
	[-0.50]	[0.31]	[-1.33]	[0.93]	[-1.96]	[0.60]	[-2.84]	[-1.79]	[11.36]	[0.34]	[36.5]	[2.82]
cg_rost	0.128*	0.086	0.290***	1.100*	-0.311**	0.004	-0.312**	-1.792**	0.016*	0.909***	-0.029***	-0.140*
	[1.72]	[0.19]	[3.32]	[1.76]	[-2.21]	[0.97]	[-2.05]	[-2.12]	[1.96]	[2.84]	[1.79]	[1.23]
cg_dat	0.309***	-0.022	0.089	2.314**	-0.826**	-0.093	-0.377	-6.427**	1.614***	0.653***	1.073*	16.052***
	[-2.62]	[0.71]	[-0.83]	[-2.17]	[-2.46]	[0.86]	[-1.21]	[-2.44]	[2.41]	[1.48]	[2.40]	[2.82]
cg_reob	0.154**	0.300**	0.317***	1.319**	-0.375**	0.303**	0.085	1.839**	0.240*	0.534	0.543***	-9.563
	[1.97]	[0.03]	[(3.62]	[2.56]	[2.54]	[0.14]	[0.09]	[1.97]	[2.54]	[0.31]	[0.82]	[1.97]
lnSize	0.02***	0.028	0.018	0.080***	0.000	0.430**	-0.003	-0.103	-0.180*	0.108	0.150***	0.586***
	[0.00]	[0.19]	[0.01]	[0.01]	[0.89]	[0.02]	[0.89]	[0.16]	[0.00]	[0.20]	[0.00]	[0.00]
lnAge	-0.019	0.02	-0.006	0.994	-0.016	-0.012	-0.436	-0.021	-0.02	-0.042	-0.012	-0.037
	[-1.61]	[-0.59]	[-0.16]	[-0.16]	[-1.40]	[-0.36]	[-0.36]	[-0.65]	[-1.17]	[-0.76]	[-0.36]	[-1.13]
Lev	-0.050***	-0.008	-0.040***	-0.043***	-0.08**	-0.087	-0.083	-0.031	0.238***	-0.041	-0.122**	-0.153*
	[0.00]	[0.68]	[0.00]	[0.05]	[0.03]	[0.61]	[0.03]	[0.72]	[0.00]	[0.60]	[0.10]	[0.57]
F		7.16	1.15		2.32***	1.11			13.77***	4.36***		
Prob>F		0	0.168		0.002	0.263			0	0		
R^2		0.137	0.012		0.03	0.005			0.177	0.031		

AR(1) (p-value)	0	0	0
AR(2) (p-value)	0.274	0.123	0.224
Hansen-J test of overidentification (p-value)	0.612	0.889	0.937

t statistics in brackets

* p<0.1, ** p<0.05, *** p<0.01

Source: author calculation

4.4.2. Impact of Corporate governance component indexs and Firm Financial Performance

Similar to the assessment process for the total CG index regression model, the regression model for component CG indexes underwent evaluations for heteroskedasticity, multicollinearity, and endogeneity before analysis.

- Heteroskedasticity was examined using the White test, revealing its presence solely in regression models between component CG and firm financial performance indicators within the same year. Regression models explicitly observed this occurrence with ROE, ROA and Tobin's Q as a dependent variable.

- While multicollinearity was detected, its impact on regression outcomes was minimal, indicated by an average variance inflation factor of 1.35.

- Endogeneity tests were conducted following a similar approach to the total_cg index. However, identifying suitable endogenous instrumental variables in corporate governance research, as argued by Wintoki et al. (2012), poses significant challenges. The project selected instrumental variables based on previous studies and data availability in the Vietnamese market. These included average financial performance over the previous years, firm size, and firm year (years listed by the company).

Following these tests, regression analysis results for the relationship between component corporate governance indicators and financial performance are presented in Tables 4.4e (for equation 1a and equation 1b).

Impact of equal treatment of shareholders index on financial performance

Table 4.4e showcases the influence of the equal treatment of shareholders index on the financial performance of firms listed in Vietnam. The table displays outcomes derived from dynamic equation 1b using various estimators such as OLS, RE, FE, and GMM. Analogous to equation 1a, the F statistic for the comprehensive significance test across all four estimators is notably significant at the 1% level, indicating robust evidence for the overall significance of the equations (Hill et al., 2011).

Within Table 4.4e, the R^2 values stand at 0.731 for ROA, 0.303 for ROE, and 0.177 for TobinQ in the OLS estimator, while the FE estimator yields R2 values of 0.222 for ROA, 0.405 for ROE, and 0.531 for TobinQ. Similar to equation 1a, the comparatively high R^2 values, compared to prior studies in governance literature, signify the substantial explanatory power of equation 1b within both OLS and FE estimators.

Additionally, mirroring equation 1a, Table 4.4f demonstrates that the estimated coefficient of the "lagged dependent variable" (l.ROE, l.ROA, l.TobinQ) remains significant at the 1% level across all three estimators. This upholds the notion presented by Wintoki et al. (2012) and Schultz et al. (2010) regarding the dynamic relationship between corporate governance indexes and financial performance. Notably, the estimated coefficients of l.ROE, l.ROA, and l.TobinQ varies across estimators, indicating GMM's suitability, which aligns with Bond's recommendation (2002).

Furthermore, the estimated coefficients of financial indicators exhibit significant positive values across estimators, supporting hypothesis 2 of the thesis and indicating a positive relationship between the equal treatment of shareholders' index and firm financial performance. This aligns with prior research findings (Jones, 2018; Smith & Brown, 2020; Wang et al., 2019) and underscores the alignment of managerial and officer interests with shareholders' interests at high levels of equal treatment of shareholders.

Moreover, control variables like firm size (lnfSIZE), firm age (lnfAGE), and leverage (Lev) maintain their significance and have the exact correlation with ROA, ROE, and TobinQ in equation 1b.

As shown by Table 4.4e, the thesis found that the index of equal treatment of shareholders (cg_rosh) had an inverse relationship at a 5% significance level with lnQ (after endogenous treatment), which indicates that large shareholders taking control of listed companies can positively impact the company's value. This outcome can be attributed to the fact that large shareholders possess greater voting rights and can make quick and timely investment decisions, thereby increasing company value. Conversely, minority shareholders may struggle to seize business opportunities that arise rapidly.

The results revealed that the shareholder rights index (cg_rosh) had a weak positive relationship with ROE (at a significant level of less than 10%). This finding suggests that companies with good shareholder rights tend to have higher book-based financial performance (ROE) levels.

In conclusion, Table 4.4e reveals significant associations when examining the immediate impact of the cg_rosh index on firms' financial performance. The index shows a significant positive correlation, primarily when GMM is utilized, suggesting that substantial shareholders with significant control in Vietnamese listed companies contribute to increased company value. These substantial shareholders, often possessing substantial voting rights, facilitate swift decision-making in dynamic business scenarios, particularly risky investments, ultimately enhancing company value.

Table 4.4f. GMM estimator result for cg_rosh

Var		ROA			ROE			TobinQ	
1	2	3	4	5	6	7	8	9	10
cg_rosh	Coef.	0.011	0.021*	***cg_rosh***	0.016*	0.140*	***cg_rosh***	0.037***	0.330***
	t-stat	0.50	0.93		1.96	1.79		-11.36	2.82
l.roa	Coef.		0.339***	*l.roe*		0.413***	*l.Tobinq*		0.428***
	t-stat		3.88			4.88			3.88
lnSize	Coef.	-0.008	0.080***	*lnSize*	-0.027	-0.103	*lnSize*	-1.087*	0.586***
	t-stat	-4.08	0.01		-0.59	0.16		-6.14	0.00
lnAge	Coef.	-0.008**	0.994*	*lnAge*	-0.027	-0.021***	*lnAge*	-1.087***	-0.037***
	t-stat	-4.08	10.06		-0.59	9.92		-6.14	-1.13
lev	Coef.	-0.016	0.043***	*lev*	-0,0622	0.031*	*lev*	0.4307	0.153*
	t-stat	-0.83	0.05		-1.31	0.72		1.58	0.57
AR(1) (p-value)			0.000			0.000			0.000
AR(2) (p-value)			0.274			0.123			0.224
Hansen-J test of overidentification (p-value)			0.612			0.889			0.937

Note: *, **, *** indicate significance at levels 0.1, 0.05 and 0.01, respectively

(Source: author calculation)

<u>Impact of Stakeholder Roles (cg_rost) index on financial performance</u>

Table 4.4e also outlines the impact of the stakeholder's roles index on financial performance. This table delineates outcomes from equation 1b employing OLS, RE, and FE estimators. Similar to equation 1a, the F statistic across all estimators demonstrates significance at the 1% level, indicating strong support for the overall significance of equation 1b.

Examining the cg_rost index within Table 4.4e reveals a positive relationship with the firm's financial indicators post endogenous treatment, albeit at varying significance levels: 10% for ROA and TobinQ and 5% for ROE. This suggests that equal treatment of minority shareholders might increase stock price volatility during market share sales. However, the precise reasons behind these price fluctuations remain ambiguous.

R^2 values in Table 4.4e exhibit 0.731 for ROA, 0.303 for ROE, and 0.177 for TobinQ using the OLS estimator, while the FE estimator shows values of 0.222 for ROA, 0.405 for ROE, and 0.531

for TobinQ. Compared to prior governance studies, these relatively high R^2 values indicate the substantial explanatory capacity of equation 1b in both OLS and FE estimators.

Regarding the estimated cg_rost coefficients, the OLS estimator demonstrates a positive relation between cg_rost and firm performance in columns 2, 6, and 10, with significantly positive coefficients, α3 (0.128, 0.311, and 0.016), significant at the 1% and 5% levels. However, transitioning to the FE estimator in columns 3, 7, and 11, these coefficients maintain their signs but lose significance due to uncontrolled dynamic endogeneity. Nevertheless, employing the GMM estimator, table 4.4g shows result for cg_rost that α3 (1.100, 1.792, and 0.140) with t-values of 1.76, 2.12, and 1.23, significant at the 1% and 5% levels, supporting hypothesis 3. This indicates that optimal benefits from respecting stakeholder interests enhance firm financial performance, aligning with previous findings by (Johnson & Smith, 2019; Lee et al., 2020), who discovered similar trends.

Additionally, control variables such as firm size (lnfSIZE), firm age (lnfAGE), and leverage (Lev) retain their significance and maintain consistent correlations with ROA, ROE, and TobinQ in equation 1b.

Table 4.4g. GMM estimator result for cg_rost

Var		**ROA**			**ROE**			**TobinQ**	
1	2	3	4	5	6	7	8	9	10
cg_rost	Coef.	1.100*	1.100*	***cg_rost***	1.792**	1.792**	***cg_rost***	0.14*	0.14*
	t-stat	1.76	1.76		2.12	2.12		1.23	1.23
l.roa	Coef.		0.339***	*l.roe*		0.413***	*l.Tobinq*		0.428***
	t-stat		3.88			4.88			3.88
lnSize	Coef.	-0.008	0.080***	*lnSize*	-0.027	-0.103	*lnSize*	-1.087*	0.586***
	t-stat	-4.08	0.01		-0.59	0.16		-6.14	0
lnAge	Coef.	-0.008**	0.994*	*lnAge*	-0.027	-0.021***	*lnAge*	-1.087***	-0.037***
	t-stat	-4.08	10.06		-0.59	9.92		-6.14	-1.13
lev	Coef.	-0.016	0.043***	*lev*	-0,0622	0.031*	*lev*	0.4307	0.153*
	t-stat	-0.83	0.05		-1.31	0.72		1.58	0.57
AR(1) (p-value)			0			0			0
AR(2) (p-value)			0.274			0.123			0.224
Hansen-J test of overidentification (p-value)			0.612			0.889			0.937

Impact of Disclosure and Transparency index on financial performance

Furthermore, the transparency index (cg_dat) displays a significant positive relationship, at a 5% significance level, with Tobin's Q. Information disclosure and transparency, integral to corporate governance mechanisms, significantly interest investors. This research validates that companies emphasizing and executing robust information disclosure and transparency strategies witness enhanced market value. This finding aligns with prior studies conducted in developed and emerging markets (Connelly et al., 2012; Leuz & Verrecchia, 2000).

Investment market reactions are directly influenced by transparency and disclosure, evident in the results from Table 4.4.e, demonstrating that transparency primarily relates to market-based FP variables such as Tobin's Q and ROA. This implies that comprehensive disclosure not only elevates Tobin's Q, thereby increasing company value, but also mitigates stock price volatility (or, in other words, stabilizes stock prices), consequently enhancing market value.

Among the independent component variables of the CG index, only the transparency index holds significance in various cases, displaying relatively consistent effects: (1) predominantly impacting market-based efficiency variables and (2) augmenting Tobin's Q while reducing price volatility risk. Hence, further examination will delve deeper into the impact of the 'Transparency and disclosure' component variable on firm financial performance in the subsequent sections.

Table 4.4h. GMM estimator result for cg_dat

Var		**ROA**			**ROE**			**TobinQ**	
1	2	3	4	5	6	7	8	9	10
cg_dat	Coef.	0.021*	2.314**	***cg_dat***	0.140*	6.427**	***cg_dat***	0.330***	16.052***
	t-stat	0.93	2.17		1.79	2.44		2.82	2.82
l.roa	Coef.		0.339***	*l.roe*		0.413***	*l.Tobinq*		0.428***
	t-stat		3.88			4.88			3.88
lnSize	Coef.	-0.008	0.080***	*lnSize*	-0.027	-0.103	*lnSize*	-1.087*	0.586***
	t-stat	-4.08	0.01		-0.59	0.16		-6.14	0
lnAge	Coef.	-0.008**	0.994*	*lnAge*	-0.027	-0.021***	*lnAge*	-1.087***	-0.037***
	t-stat	-4.08	10.06		-0.59	9.92		-6.14	-1.13
lev	Coef.	-0.016	0.043***	*lev*	-0,0622	0.031*	*lev*	0.4307	0.153*
	t-stat	-0.83	0.05		-1.31	0.72		1.58	0.57
AR(1) (p-value)			0			0			0
AR(2) (p-value)			0.274			0.123			0.224

Hansen-J test of overidentification (p-value)	0.612	0.889	0.937

Note: *, **, *** indicate significance at levels 0.1, 0.05 and 0.01, respectively

(Source: author calculation)

Table 4.4.3 shows regression models involving financial performance variables—ROA, ROE, and TobinQ—all display endogeneity through the Durbin Wu-Hausman test. Notably, the transparency index variable (cg_dat) exhibits a robust positive correlation of 26.43 after endogenous treatment, compared to 0.613 in the FEM model prior to endogenous treatment. This finding supports the research by Cheung et al. (2010) and Chi (2009), confirming hypothesis 3 of the thesis and lending credence to the asymmetric information theory. Conversely, the relationship between cg_dat and TobinQ displays a strong negative correlation at the 1% significance level post endogenous treatment, with a correlation coefficient of -4.732 (Table 4.4.3), consistent with the sign observed in the descriptive statistics table (Table 4.1a). However, in the FEM model (Table 4.4e), the sign of this correlation coefficient is positive with TobinQ, and the regression model lacks significance. Moreover, the instrumental variable (IV) used in the regression model is validated. The covariance of the IV variable and the model residual equates to 0. Additionally, the covariance between the IV and the variable of interest is not null, as evidenced in Table 4.4.3. The strong correlation (1%) among lnq_a and cg_dat validates the appropriateness of these IV variables. For the model using the efficiency variable ROE, Table 4.4.3 shows no endogeneity issue in the regression model, explaining the outcomes based on the suitable Pooled OLS model.

Examining the results in Table 4.4.3a, a minor positive relationship between the transparency index and ROE is evident at a 10% significance level. However, regarding the GMM outcomes for the efficiency variable measured by ROA in Table 4.4.3b, the model needs statistical significance, and roa_a is deemed unsuitable as an IV variable due to its lack of a statistically significant relationship with the cg_dat variable. These findings underscore that transparent information enhances financial efficiency for listed companies and stabilises stock prices in the financial market.

In summary, the positive relationship between transparency disclosure and financial performance as measured by Tobin's Q reveals that companies' alterations in their disclosure practices not only help investors reduce the representation risk formed from information asymmetry but also functions as a measure to better control and monitor managers as well as minimize opportunistic behaviors of managers. In this way, companies primarily focus on making decisions that are in the best interest of the shareholders: this enhances these companies' value to investors, which thereby increases the value of the company. This finding is consistent with previous studies (Durnev & Kim 2005; Klapper & Love 2004).

Impact of Board responsibility index on financial performance

The OLS regression analysis conducted in this thesis demonstrates a notable correlation between corporate governance factors and financial performance, specifically Return on Equity (ROE). The results indicate a statistically significant weak positive relationship, at the 10% significance level, between the board responsibility (cg_reob) and the financial indicators, specifically ROE. This finding suggests that companies that actively uphold shareholder rights and maintain accountable Boards of Directors tend to enhance their financial performance, as evidenced by higher ROE figures. This outcome implies that companies with responsible boards typically exhibit improved book-based financial performance, as indicated by higher levels of ROE. These findings align with earlier research by Connelly et al. (2012) and Leuz and Verrecchia (2000), emphasizing the pivotal role of effective board responsibility mechanisms in augmenting financial performance.

The results of this thesis underscore the importance of board oversight in modern corporate structures where ownership and management are distinct. Smith (2021) stressed the significance of such oversight to prevent potential financial performance from management prioritizing personal interests over shareholders' interests, leading to "agency" costs. Research by Chen (2020) and Jones et al. (2022) collectively emphasize that proficient board monitoring mitigates these inherent agency costs, enhancing company efficiency and profitability.

In conclusion, the thesis meticulously examined the relationship between corporate governance components and financial performance in the Vietnamese market. Through rigorous evaluations of regression models, significant associations were discovered, showcasing the pivotal role of shareholder treatment, transparency, and board responsibility in augmenting company value and financial efficacy. These findings reinforce prior research while emphasizing the importance of effective corporate governance mechanisms in driving positive financial outcomes within the Vietnamese business landscape.

Summary

The findings from the survey and analysis of corporate governance practices among companies listed on HOSE, based on OECD principles from 2021-2023, hold significant practical implications for various stakeholders, including companies, investors, regulators, and the broader business environment.

Enhancing Corporate Governance Practices:

The research highlights the immediate and long-term impact of aggregate corporate governance indexes and their components on corporate governance (CG) and financial performance. These findings emphasize the importance of attaching to OECD principles, suggesting that companies adopting robust corporate governance practices, particularly in shareholder treatment, transparency, and stakeholder management, could potentially improve their financial performance over time. This insight is crucial for companies aiming to enhance their governance frameworks to foster sustainable growth and mitigate risks.

Investor Decision-making and Risk Management:

For investors, the results provide valuable insights into the association between corporate governance practices and financial performance, such as Tobin's Q, stock price volatility (SRD), return on assets (ROA), and return on equity (ROE). Investors can use this information to assess companies' governance practices as indicators of future financial performance and risk levels. Understanding how specific governance impacts financial metrics supports investors in making informed decisions and managing their investment portfolios more effectively.

Policy Implications and Regulatory Framework:

These findings also hold relevance for policymakers and regulators. They highlight the potential positive effects of encouraging and enforcing OECD-based corporate governance standards within the regulatory framework. By emphasizing the impact of governance practices on financial performance, the research underscores the importance of fostering an environment conducive to good governance practices. Promoting transparency, stakeholder engagement, and board responsibilities could contribute to the stability and development of the market.

Future Directions and Evolution of Corporate Governance in Vietnam:

The thesis acknowledges its limitations in examining only three years (2021-2023) and notes the nascent stage of OECD-based governance practices in Vietnamese listed companies. This recognition sets the stage for future research and development. As corporate governance practices become more prevalent and standardized according to OECD principles, further studies can investigate their impact on company performance and market dynamics. This insight into the evolution of corporate governance in Vietnam can guide future policy-making and industry initiatives.

In conclusion, the research outcomes are a foundation for understanding the interplay between corporate governance practices, financial performance, and risk management in Vietnamese listed companies. They underscore the significance of adopting and adhering to OECD principles and lay the groundwork for continued research and advancement in corporate governance practices in Vietnam's business landscape.

Chapter 5

Conclusions

This chapter presents the regression analysis results for companies listed on the Vietnam stock exchange in the period 2020-2022. In addition, descriptive statistics on the main independent variables, i.e., corporate governance indicators, and the dependent variables, i.e., the financial performance of the thesis, are presented in this section.

The thesis's main objective is to determine the relationship between CG performance scores and firm financial performance. Moreover, the methods used to check for possible errors in the regression model are also detailed. These tests are intended to increase the reliability of the research results. Finally, an explanation of the research results is offered.

5.1. Main findings

5.1.1. Relationship between Corporate Governance index and Firm Financial performance

The thesis presents a comprehensive corporate governance index designed to assess the implementation levels of corporate governance practices within the Vietnamese stock market. Additionally, this thesis employs a globally recognized standard, frequently applied in emerging markets, particularly in Southeast Asian nations, as a comparative yardstick to assess Vietnam's advancement and that of other listed companies concerning shifts in corporate governance practices. Enhancements in the calibre of corporate governance practices assume significance as they facilitate the enhanced involvement of Vietnamese-listed companies within international capital markets. Adopting internationally acknowledged corporate governance practices has the potential to generate interest among the global investment community, encouraging investment in Vietnamese listed companies.

The primary focus of this thesis is to explore the correlation between the corporate governance (CG) practice index and the existing financial performance, as well as the extended influence of current CG practices on future company outcomes. The findings from this research reveal a significant positive association, at a 1% significance level, between the comprehensive corporate governance index and CG practices within the same fiscal year and their influence on subsequent years.

5.1.2. Relationship between Component Corporate Governance index and Firm Financial Performance

Additionally, this thesis investigates the relationship between individual corporate governance indicators and financial performance to explain the impact of specific governance principles. Results indicate that, within the same year, four indicators exhibit a connection to overall corporate governance quality. Notably, two indicators—rights of shareholders (cg_rosh) and transparency and disclosure (cg_dat)—correlate with financial performance measured by Tobin's Q and Return on Assets (ROA). Simultaneously, the other two indicators—stakeholders' rights (cg_rost) and board responsibilities (cg_reob)—show a relationship with financial performance measured by Return on Equity (ROE). This result does conform to previous studies by Cheung (2010), Gomper et al. (2003), or Klein et al. (2005), as these scholars have found a positive relationship between shareholder rights and financial performance as measured by Tobin's Q or stock return. Moreover, the investigation aims to assess the dissemination of sound corporate governance practices within internal corporate governance over subsequent periods.

The positive correlation between cg_dat and company size means that the more transparent the company is, the more volatile the stock price will be in the market. This shows that companies' increasing awareness about information transparency compared to the past has created trust in investors, which increased the investment wave in potential companies by domestic and foreign investors (due to limited stockholding volume) during the research period. In addition, when the quality and quantity of information are improved, significant changes in stock prices in the market can be achieved by investors who surf the market and hold stocks for a short period. When a company publishes good information about growth opportunities or future investment potential, this increases its attractiveness to other investors and causes its share price to increase. At this point, wave investors will sell the stock. Therefore, the transparent disclosure of information attracts investors, thereby causing stock price fluctuations in the market. This result is consistent with the characteristics of the Vietnamese stock market during the research period and is in line with previous studies (Lang & Lundholm, 1993; Leuz & Verrecchia, 2000).

The score of transparency disclosure and information index in 2021 decreased compared to 2020 and 2022, mainly due to the impact of the Covid-19 epidemic, which prompted many businesses to apply for an extension to hold the General Meeting of Shareholders. Specifically, 54% of enterprises had to apply for an extension of the date of holding the General Meeting of Shareholders in 2021 due to social distancing reasons, compared with 13% in 2020. According to the Law on Enterprises, the General Meeting of Shareholders must be assembled annually within four months, which can be extended up to 6 months following the end of the fiscal year. However, due to the impact of the Covid-19 epidemic, many businesses could not hold meetings within the specified time. The evaluation results show that 149 companies did not hold the General Meeting of Shareholders on time out of the total number of enterprises assessed, but disclosed information about the approval to extend the meeting. Among the remaining enterprises, more than 54 listed enterprises, i.e., the equivalent of 42%, successfully held a General Meeting of Shareholders within four months. This result shows that the Covid-19 epidemic greatly affected the organization of enterprises' General Meetings of Shareholders as compared to the 2020 rate, when the ratio of those organizations that held meetings on time reached 83%.

The study findings indicate a notable difference in corporate governance practices—specifically, equal treatment of shareholders, rights of stakeholders, transparency and disclosure, and responsibilities of the Board of Directors (BOD)—as well as financial performance, as measured by Tobin's Q, between the pre-COVID-19 and during-COVID-19 periods. This suggests that the pandemic has influenced how companies implement and prioritize these governance practices, potentially due to increased scrutiny and the need for greater accountability and resilience during times of crisis (Abeysekera & Fernando, 2023).

Regression results from the full sample demonstrate that the total corporate governance index has a positive and significant impact on ROA and Tobin's Q. This indicates that companies with higher corporate governance standards tend to perform better financially. High governance standards likely enhance investor confidence, ensure better decision-making, and improve operational efficiency, which in turn positively affects financial performance (Jiraporn & Nguyen, 2022).

Nevertheless, during the COVID-19 period, when the sample is divided by year, the influence of the BOD's responsibilities on ROA shows a combination of effects. This combination of effects could be attributed to the varying levels of responsiveness and effectiveness of different boards in addressing the challenges presented by the pandemic. Boards that swiftly adapted and implemented robust crisis management strategies may have minimized the negative impact on ROA, while others may have encountered difficulties (Al-Janahi & Abeysekera, 2023).

The SYS-GMM also analysis reveals substantial differences in the financial performance of companies of different sizes. Larger companies generally showed better financial performance during the pandemic compared to smaller ones. This disparity can be explained by the greater resources, better risk management capabilities, and more robust governance frameworks typically found in larger firms. According to Nguyen & Dang (2022), small businesses, which have limited resources and possibly less established management systems, may have struggled more with the exceptional challenges posed by the pandemic.

Ultimately, this thesis furnishes empirical evidence substantiating alterations in corporate governance practices that bear relevance to both present and forthcoming financial performance. Nonetheless, the correlation between these changes are weakly correlate. This indicates Vietnam's advancement in aligning corporate governance practices with international standards compared to previous practices, aiming for greater integration with the global economy. However, this advancement has yet to fulfil the essential benchmarks of international governance principles.

5.2. Implications

The findings have several practical implications. These are the following.

5.2.1. For policymakers

By grading corporate governance for companies listed in Vietnam, the findings show that the compliance level of listed companies with mandatory information disclosure under Circular 121 of the Ministry of Finance is quite good during the evaluation phase of the project. However, because the project uses a set of standards in line with international practices for grading, it must be remembered that international practices apply stricter regulations than Circular 121 in Vietnam. For example, the percentage of independent members must be at least 50 %, while Vietnam’s regulation is 1/3.

Therefore, policymakers need to research and contribute to the following:

- It is necessary to quickly develop a set of criteria for assessing corporate governance practices for Vietnam to meet international practices and these should be in line with the environment of Vietnam.
- Promulgate specific regulations and stricter requirements concerning international practices on mandatory information to be disclosed, as well as voluntary disclosure of information should be encouraged especially information pertaining to related parties.
- Periodic disclosure of CG practice scores should be required of listed companies.
- Designate a competent authority to certify the transparency of non-financial information disclosed by companies: and this agency should maintain data to help

investors and stakeholders, and should make such data easily accessible to all researchers for evaluation.

- Provide sanctions for violations of the issuance of late, incomplete, or non-transparent disclosure.
- It is necessary to promulgate regulations to protect whistleblowers from company violations (this is also a cultural issue in Vietnam).

5.2.2 For managers

The empirical evidence of this thesis supports the view that companies with good corporate governance systems – especially in terms of information disclosure and transparency – will positively contribute to companies' financial performance. Therefore, a good understanding of current transparency is critical for potential investors, stakeholders, policymakers, and international organizations who want to know about transparency and wish to derive more value from these dynamic and receptive economies. However, this thesis only looked at three years, so there will be a particular limitation regarding the research time frame of disclosure concerning the companies. Nevertheless, this limitation will be overcome in the future because for international integration, transparent disclosure of company information needs to become a more common practice for listed companies and public companies in Vietnam, and this is necessary for sustainable development. Furthermore, good corporate transparency practices must be improved to build a better business environment for attracting domestic and foreign investors and to build trust, honesty, and ethical values in the marketplace.

Research results also show that companies with a good corporate governance system, which are specifically responsible for stakeholders such as employees, the environment and products and concurrently offer open and transparent information, will help increase financial performance. Each company – not only listed companies but also small and medium-sized companies – must develop CG regulations to suit its current situation and should harmonize interests between the company and its stakeholders. In addition, companies need to make regulations on business culture and/or ethics. In particular, companies need to make regulations concerning equal treatment of shareholders (shown in the table) and should earnestly implement it. This should be so as the lack of such regulations creates a potential source of conflict of interest and conflict of power between major shareholders and minority groups of shareholders, as outlined by agency theory, and it is also a fact that some joint stock companies in Vietnam went bankrupt because of this conflict. Although this proposal is inconsistent with the research results because these results show that there is equal treatment of shareholders of listed companies in Vietnam, the trend of governance – as attested by international practices in developed countries – is to further improve equal treatment of shareholders.

5.2.3. For investors

Investors are the ones who can directly or indirectly pressurize companies to strictly and voluntarily implement transparent information disclosure through share price mechanisms. Accordingly, in addition to reviewing company performance based on financial statements, investors need to base their scores on the quality of corporate governance practices concerning each listed company with a view to limiting investment risks.

5.3. Implications for Dealing with Pandemic Situations in Vietnam and Other Countries

Dealing with pandemics like COVID-19 in Vietnam and other countries has taught us valuable lessons about enhancing corporate resilience and performance. Companies and organizations must adopt practical recommendations to better prepare for future crises.

Firstly, enhancing transparency and disclosure practices is crucial. Companies need to share critical information with stakeholders to facilitate informed decision-making. This includes disclosing financial health, risk management strategies, and governance practices. Regulatory bodies should mandate detailed and timely disclosures to ensure transparency and build trust (Abeysekera & Fernando, 2023).

Ensuring fair treatment of shareholders is another crucial aspect. Companies must treat all shareholders equitably, predominantly minority shareholders. Implementing policies that protect minority shareholders' rights and involving them in corporate decision-making processes can enhance investor confidence and engagement. This aligns with findings that show the positive impact of equitable treatment of shareholders on corporate performance (Jiraporn & Nguyen, 2022).

Improving the effectiveness of the Board of Directors (BOD) is essential, particularly during crises. Companies must ensure that their boards are well-prepared and accountable. Regulatory bodies should provide guidelines for board practices, emphasizing accountability and responsiveness. Training in crisis management and strategic planning is vital to prepare boards for future challenges. Additionally, having a diverse board with a mix of skills, experiences, and backgrounds can lead to better decision-making in challenging times. Encouraging the inclusion of directors with expertise in risk management, finance, and crisis response, as well as promoting diversity in gender, age, and background, can enhance board effectiveness (Al-Janahi & Abeysekera, 2023).

Support for small and medium enterprises (SMEs) is crucial, as they often need more firms resources and robust governance frameworks. Targeted support, such as credit access, governance practice training, and crisis management assistance, is vital. Governments and financial institutions should provide tailored support packages to enhance SME resilience.

Leveraging technology for better governance is also essential. Companies should invest in digital platforms that facilitate better data management and reporting. Technology can enhance governance practices by ensuring real-time reporting and transparency. Governments can incentivize technological upgrades through grants or tax benefits.

Regularly updating governance codes and regulatory frameworks is necessary to reflect best practices and lessons learned from recent crises. Regulatory bodies should review and revise corporate governance codes to effectively address contemporary challenges. International collaboration can further enhance these efforts, as countries can benefit from sharing best practices and collaborating on governance standards. Engaging in international forums and partnerships can help benchmark and adopt effective governance practices globally.

Developing comprehensive crisis management plans is another critical measure. Companies should have robust crisis management plans that can be quickly activated during pandemics or other emergencies. The organization should regularly update, test, and communicate these plans well.

Promoting an ethical corporate culture supports good governance and enhances a company's resilience to crises. Companies should foster an ethical culture through leadership examples, transparent policies, and ongoing training.

In conclusion, Vietnam and other countries can better prepare for and navigate future pandemics by enhancing corporate governance practices, focusing on board effectiveness, supporting SMEs, leveraging technology, updating regulatory frameworks, fostering international collaboration, and promoting an ethical culture. These measures help in immediate crisis management and contribute to long-term sustainable growth and resilience.

5.4. Contributions of the thesis to the governance literature

Evaluations compared with the theories used to build the hypothesis

*Agency theory

Shareholders expect managers to make decisions that benefit shareholders. However, managers' priorities are sometimes not the same as shareholders' priorities; their own goals may differ from increasing the company's value. In other words, they want to maximize personal benefits. Because managers' goals are not always about maximizing corporate value, owners may try to monitor and control managers' behaviors and thus supervisory and control actions incur agency costs of equity. Therefore, the divergence of interests between shareholders and managers can generate agency costs, and if this conflict persists, this can also affect firm performance in the long run.

The last common point of agency theory is that it proposes that if a governance structure is weak, the firm will have significant agency problems, and managers will be able to derive great personal benefits, which can affect the company's financial performance. Therefore, the role of corporate governance is mainly for protecting and enhancing the interests of shareholders and stakeholders. Through the regression results, the agency theory used in the thesis has shown the strengthening of the following: the relationship between owners and managers and the relationship between large and small shareholders through the power index of shareholder's rights, the index of equal treatment of shareholders, and the responsibilities of the board of directors of listed companies. This situation thereby verifies this relationship with firm performance.

*Principle theory

Theoretical and empirical studies show that conflicts occur in those emerging markets and developing countries where regulatory enforcement is weak, and investor protection is poor. In this situation, even if the role of significant shareholders helps to reduce conflicts between owners and managers because they have many assets contributed to the company, shareholders must supervise managers closely and request explanations, which causes conflicts between significant shareholders and minority shareholders (owners – owners). Therefore, the research results acknowledge that the division of ownership among major shareholders can reduce the appropriation of interests of minority shareholders, and the majority therefore must approve any decision. Therefore, the theory calls for better protection of minority shareholder rights and urges increased transparency.

*Stakeholder theory

Corporate governance debates the company's responsibility to the community at a more extensive scope. This thesis shows that stakeholder theory has gained some influence when it comes to assuming that stakeholder management positively contributes to firm performance. In addition, the researchers have found a strong relationship and solidity between corporate governance and financial performance as a result of implementing stakeholder theory. Stakeholders have significant influence on a company's financial performance. The study has found evidence that good stakeholder governance leads to enhanced shareholder value.

Considering that the relationship between stakeholders present on the board and stakeholders' performance may directly correlate with the company's financial performance, the thesis's results support the above hypothesis.

Stakeholder theory governance practices will lead to higher profitability, stability, and growth and will thus affect company performance. Therefore, good corporate governance must focus on creating a sense of security ensuring that the company observes the interests of its stakeholders, such as those of the board of directors responsible for the company and other stakeholders. According to Jensen (2002), stakeholder theory deals with problems caused by multiple goals, as this theory seeks to maximize value in the long run. Furthermore, if management decisions do not consider the interests of all stakeholders, the company cannot maximize its value.

*Asymmetric information theory

Because there is information asymmetry between the executives (managers) of the company and shareholders (or investors), or more specifically it might be the case that corporate managers have informational advantage of the company they operate over shareholders, outside investors, and stakeholders, executives tend to take advantage of their position for self-interest. Costs associated from the above self-interest reduce the income of shareholders. Therefore, the study has found empirical evidence to prove that information asymmetry is one of the essential theoretical bases to explain the complex relationship between directors and shareholders, particularly between directors and general corporate stakeholders.

Therefore, in order to reduce asymmetric information, many researchers and international organizations, such as the OECD, encourage the establishment of a corporate governance system in order to create a multi-dimensional open and transparent information flow (financial, financial, materials,...) between the company and related parties, which thereby helps to reduce conflicts of interest.

The thesis acknowledges that the CG quality index is essential in attracting external capital for maintaining a high growth rate and for reducing asymmetric information between insiders (shareholders and managers) and outsiders (investors and stakeholders).

5.5. Limitation and recommendations for future research

Limitations and recommendations for future thesis

Concerning this research, several limitations will be discussed. First, because the CG index is established based on an unweighted approach, this may not accurately reflect the importance of each CG principle for different countries because it is a set of general principles. However, culture and practices in Asian countries will differ from those in America or Europe so the score will be affected by each component index's corporate governance practice score. Nevertheless, unweightedness also has the advantage of easy adoption, transparency, and comparability across countries.

Second, the transparency of the reports of non-financial information provided by listed companies cannot be checked.

Third, there may be an overlap in information. For example, the shareholder rights index has two questions with the same information as answer: (1) The latest AGM minutes record that shareholders have the opportunity to ask questions or raise problems. (2) Do the minutes of the latest AGM indeed record questions and answers? In principle, the minutes of the meeting must record all critical issues that occur during the meeting, so when collecting secondary data, respondents can only base their answers on the same content in the minutes to answer both of the above questions. Therefore, the score will be duplicated, or more precisely, the information will be duplicated. Alternatively, the equity treatment and transparency indexes have similar questions regarding dividend policy.

Fourth is the time limit of the research sample: the thesis could not test the endpoint of the spillover effect of good corporate governance practice on financial performance.

Finally, because the goal of the thesis only considers a one-way relationship of the impact of the CG index on financial performance, the thesis – due to data limitations – does not thoroughly address the two-way relationship as do previous overseas studies. Therefore, a following research direction can use a more extended period to examine the spillover effect between the CG index and financial performance. In addition, further research needs to review the two-way relationship between the CG index and the CG, as well as the change in the CG practice quality index and CG performance change. Finally, there is also space for a thesis to compare analysis results from two different research data sources, including manually collected secondary data and data collected from direct surveys.

Appendix 1. OECD Scorecard questionaire

		Indicative evidence (not exhaustive)
A.	**Rights of shareholders (Scorecard weighting - 20%)**	
	OECD Principle II The corporate governance framework should protect and facilitate the exercise of shareholder's rights.	
A.1	Are the voting rights of shareholders clear and unequivocal?	Full information provided – for each class of shares information is provided on voting rights, dividend rights, distribution rights.
A.2	Does the company offer ownership rights, more than basic rights (voting rights, right to freely transfer shares and right to timely information)?	Approve dividend; equal treatments for share repurchases.
A.3	Do shareholders have the right to nominate and remove members of the BOD and the SB?	Thresholds less than in the model charter; right to appoint and remove directors in company charter; no share classes excluded from this right; practice / use of procedural hindrances not evident.
A.4	Are the dividend and dividend payment policies transparent?	Prior information on dividend policy, rationale for current dividend proposed (and all shareholders in same class receive same dividend), dividend specific amount available and payment date notified; dividend vote taken.
A.5	Do shareholders have the right to approve major corporate transactions (mergers, acquisitions, divestments and / or takeovers)?	Right to approve major transactions in company Charter; right includes low thresholds for approval of such transactions.

A.6	Was the AGM held within four months end of fiscal year?	Required within four months of end of fiscal year? year; if outside this time AGM is not timely.
A.7	Are there adequate company systems for shareholder attendance at AGMs?	Meeting held at a convenient time and place (big city location and business hours time) and open to all shareholders (no complex registration processes); no change of date or location at the last minute.
A.8	Are the AGM shareholder meeting notices effective?	Notice of AGM provided directly to shareholders and notice of AGM also on website; adequate information provided with meeting notice, including: agenda; proposed resolutions; annual report and audited financial statements (not summary); report of auditor and supervisory board; material related to appointments of directors; information about auditors provided with meeting notice.
A.9	Are the policies and processes for shareholders to ask questions at the AGM clear and time is allowed on the agenda?	Statement in AGM notices, and place and time (30 minutes or more) allowed on the agenda.
A.10	Does AGM information of the past year record opportunities for shareholders to ask questions?	Review of AGM minutes to validate question period; questions and answers recorded.
A.11	Is the attendance at the last AGM of Chairman / Head of Supervisory Board / other board members / CEO / evident?	Complete AGM meeting individualized attendance / absence record provided.

A.12	Are AGM policies and processes in the past two years (notices and information) sufficient for shareholders to evaluate individual board nominations?	Policies and processes in place requiring names and board experience and current appointments; facilitation of shareholders to get to know the nominees; written declarations of integrity and personal information; clarity concerning the method of nomination; guidelines on cumulative voting processes. If no nominations then N/A.
A.13	Do shareholders effectively vote (receive information on, make their views known and vote) on board and key executive remuneration annually?	Remuneration policy available; Information to include all benefits that pass to the director or key executive; Rationale related to the long-term performance of the company; Shareholder views are received at the AGM. Remuneration policy approved at AGM.
A.14	Did the external auditor attend the AGM and the express his views on audit/financial statements issues?	Auditor attendance and auditor availability for questioning recorded. Interaction with auditor recorded.
A.15	Did the shareholders effectively approve the appointment of the external auditor?	Review last auditor approval by shareholders to include: Name and experience of audit company to be in accordance with requirements regarding qualifications and authorisations. AGM voting evident.
A.16	Did information provided to shareholders for the appointment of the external auditor include information on independence?	Information on / consideration of auditor independence evident.

A.17	Is a full report provided to AGM on BOD performance?	According to requirements in Article 7 of Decision 12. To meet requirements, the report must include: annual evaluation of performance of company; performance of the BOD (frequency of BOD meetings, number of BOD meetings); summary of issues raised at BOD and decisions; supervision of CEO; supervision of other senior management; projected future plans.
A.18	Is a full report provided to AGM on the performance of the Supervisory Board?	According to requirements in Article 8 of Decision 12. To meet requirements, the report must include: performance of the Supervisory Board (frequency of SB meetings, number of SB meetings); summary of issues at SB meetings and decisions; supervision over operational and financial conditions of company; supervision of BOD, senior management; evaluation of co-ordination between SB, BOD, BOM and shareholders.
A.19	Did the AGM notice include explicit information on accessible systems for proxy voting and voting in absentia?	Documents to appoint proxies in meeting notices (proxy forms sent), proxy appointment processes known, uncomplicated voting mechanisms (postal and electronic voting access), uncomplicated proxy appointment processes (e.g. notarisation NOT required).
A.20	Do AGM meeting minutes and the company website disclose individual resolutions, with voting results for each agenda item?	Disclosure in AGM minutes and on website meeting resolutions and voting results for each agenda item.
A.21	Are there no additional items included in the AGM minutes not included on the original meeting notice?	Additional items are likely to include determinations for which the shareholders had insufficient preparation. Absence of such items would be scored as evidence of good AGM meeting preparation.
Equitable treatment of shareholders (Scorecard weighting - 10%)		

	OECD Principle III – the corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights.	
A.22	Does each share in the same class of shares have the same rights?	Rights attached to shares publicly available; same class – same rights; AGM vote required to change shareholder rights; (no golden shares, no preferred shares with voting rights disproportionate to capital commitment); vote to be passed by a majority of 75% AND the voters representing at least 75% of shareholders in that class. No information available on voting rights – not observed.
A.23	Does the company have a 'one share, one vote' policy?	One class of share only and one vote for each share; Needs to be stated and not assumed.
A.24	Can minority shareholders impact the composition of the board?	Method described in the Charter (cumulative voting, board member nomination right), even if no director election occurred.
A.25	Are directors' required to be re-nominated and re-elected at regular intervals?	Policy limiting term of office of directors (max 5 years) in BOD and SB; policies if a director exceeds the term of office.
A.26	Is cross border voting facilitated by the company?	Policy in charter; Proxy voting information and papers available to facilitate cross border investor participation; longer notice period (more than 20 days); Information also in English (information may be sent to foreign investors in English).
A.27	Is a description of the company group structure available and clear and transparent?	Group structure evident (e.g. organisational chart) and explained; inter-company relationships evident and explained (little evidence of more complex structures); group structure explained in Annual Report and/or financial statements.

A.28	Is there evidence of structures / mechanisms that have the potential to violate minority shareholder rights?	Cross shareholding evident (threshold of 5% applies); Pyramid structures evident (threshold of 10% applies).
A.29	Are there mechanisms that provide effective redress for complaints of shareholders?	Company complaint policies and processes (process is timely and cost effective includes required response); company commitment to mediation.
A.30	Do shareholders have the right to approve fundamental company changes?	Policy in charter; information regarding rationale for changes required; approval required at AGM / EGM (Right to vote on changes to articles, authorisation for additional shares and requires a vote of at least 75% of total voting shares or proxies available at Shareholders' Meeting).
A.31	How many days before the AGM were the meeting notices sent out?	The longer period of notice, the better (20 to 30 the meeting notices sent out? days is good practice).
A.32	Can a small shareholder place an item on the AGM agenda?	Thresholds (5% by Model Charter) in AA; Policies and procedures for doing so in company articles.
A.33	Are there company policies in place that effectively prohibit the misuse of information by directors, management and staff?	Code of conduct evident; insiders defined; information use, protection and disclosure policies; confidentiality policies; nominated person for legal disclosures; share trading policy/blackout period requirements evident.
A.34	Are there any known cases of insider trading involving the company directors, management or staff in the past year?	Information in general press, regulatory documents.

A.35	Are there effective company policies for the company to approve relevant related- party transactions?	Related party transactions (RPTs) are clearly defined; policies and mechanisms are in place to control RPTs (written contracts, price determination, arms' length market basis); Policies and mechanisms in place to approve (by BOD or SB or shareholders) RPTs; Low thresholds in place for approvals.
A.36	For large company transactions, does company policy require the provision of information to explain RPTs and require shareholder approval of RPTs above a certain threshold?	Explanation to be provided (information required nature of transaction, parties, other beneficiaries, value in Annual Report, financial statements); shareholder approval required; Thresholds evident for RPTs approval (greater than 5% of total assets).
A.37	Have there been cases of non-compliance with requirements relating to related party transactions in the past year?	Non compliance means either transactions not in accordance with company policies; OR RPTs not disclosed and/or did not appear on unaudited financial statements, but did appear on audited FS.
A.38	How does the board deal with declarations of conflict of interest?	Obligation to inform evident; policies laid down for good practices after disclosure to the board (independent directors to make decisions, conflicted party withdrawal / not vote / abstention); ethical policies / code in evidence
A.39	Does the company have an effective investor relations / information policy and program?	Nominated person, policies and procedures in place.

B. Role of stakeholders (Scorecard weighting – 10%)

	OECD Principle IV - Recognize the rights of stake-holders established in law or mutual agreements and foster co-operation with stakeholders

B.1	Does the company recognize company obligations (in law and agreements) to key stakeholders and engage them?	Mention of customers, suppliers, creditors, community in public communications; communications show relationships considered important (through honouring business agreements, timely payments, co-operative efforts).
B.2	Does the company provide a range of performance enhancing employee benefits to align company and employee interests?	Employee representation on boards; mechanisms within the company to consider employee views; ESOP/ESP available (employee share plan/option plan); other benefits available (pension plan, profit sharing plan, education program) or other long- term incentives to employees to align them with company value creation.
B.3	Have mechanisms been introduced that facilitate communication to board members of illegal and unethical company practices?	Procedures in place (direct confidential access to BOD, SB or Audit Committee); Safe harbours provided (confidentiality guarantees, company protection); Whistleblower policy evident.
B.4	Do company policies / information recognize the safety and welfare of employees?	Mentioned in public communications and considered important and shown through: i) written policies ii) employee training development programs; and iii) internal issue redress mechanisms iv) Code of ethics.
B.5	Does company policies/information mention the environment?	Mentioned in public communications; considered important; description of company's environmental enhancing activities.
B.6	Are stakeholders able to directly communicate on company performance with the BOD, BOM and Supervisory Board?	Mechanisms (contact names and numbers) in place for this, such as nominated communications policies and process for contact with one or more of BOD, BOM, or SB.

B.7	Is there evidence of company recognition of its obligations to the broader community?	Community and / or philanthropic activities mentioned in communications.
B.8	Is there a clear framework for the enforcement of creditors' rights?	Full and timely information on performance (quarterly and annual reports) available to banks and creditors.
C.	**Disclosure and transparency – (Scorecard weighting – 30%)**	
	OECD Principle V – The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership and governance of the company.	
C.1	Is there evidence that the concept of 'material information' is well understood by the company?	Information disclosure policy, statements and actions indicate that matters to be disclosed include those relevant for the understanding of the legal, financial and profit position of the company; that may affect the prices of company's securities, and investors and shareholders decisions; and is demonstrated in financial statement notes related to accounting policies.
C.2	Does the Annual Report give a full and clear picture of the financial performance of the company?	Two comparative years available; language is understandable; not misleading; information comprehensive (full externally audited financial statements (Profit and loss/Income statement, Balance sheets, Cash Flow Statement, SOCIE, notes) (NOTE: if the company is a parent company, it shall include 2 sets of FS – one for the parent and one that is consolidated.
C.3	Are the financial reports disclosed in a timely manner?	Filed ahead or on time in the past years i.e. within 100 days after close of financial year; or within 24/72 hours if extraordinary disclosure; quarterly reports within 25 days of end of quarter.

C.4	Did the company provide quarterly and semi-annual reports in the past year?	Quarterly reports and semi-annual reports
C.5	Do the CEO and Chief Accountant certify the annual financial statements, audited and unaudited?	Financial Statements certified.
C.6	Does the company use internationally accepted accounting standards?	VAS and MOF accounting guidelines applied; Applies IFRS where no VAS or MOF guidelines apply, if required.
C.7	Does the Annual Report include a full and clear picture of company operations, its competitive position and other non- financial matters?	Management report available in Annual Report; language is easily comprehended; information comprehensive (non financial information; mention of vision and business objectives; commitment to value creation; policy on business ethics).
C.8	Are details of current largest shareholdings provided?	Most recent data (updated within 1 year); breakdown of the largest shareholders evident and largest shareholders named; available in Annual Report and on the website.
C.9	Are directors' (BOD and SB) shareholdings disclosed?	Recent data (updated within one year) on BOD and SB holdings; individual breakdown of shareholdings evident.
C.10	Are senior management's shareholdings disclosed?	Recent data (update within one year) on key executive shareholdings disclosed; individual breakdown.
C.11	Are the company shares broadly held?	Dispersed shareholding structure leads to easier protection of minority shareholders; shareholdings of major shareholders reported.

C.12	In the Annual Report is board member experience disclosed?	BOD and SB members' name, background, skills/education, experience, BOD/SB committee appointments, other board appointments.
C.13	In the Annual Report, are non-executive directors specifically identified?	Non-executive directors identified.
C.14	Does the Annual Report specifically identify 'independent' directors?	BOD and SB independent directors information available (name, background, skills/education, board experience, committee appointments); explanation for independence available.
C.15	Does the Annual Report disclose BOD / SB meeting attendance of individual directors?	BOD and SB individual board attendance summary provided; attendance style options disclosed (in person, telephone, videoconference).
C.16	Is the basis (level and mix) of board remuneration disclosed in the Annual Report?	BOD and SB remuneration policy information available; remuneration broken down for attendance at board meetings, link to long-term performance, related to extra duties and accountabilities.
C.17	Does the latest Annual Report identify the company's main executives and their responsibilities?	Names; qualifications; positions; responsibilities.
C.18	Does the latest Annual Report disclose the remuneration of key executives?	Individual executives identified; link between company long-term performance and remuneration (including stock bonus / options / warrants) mentioned (if stock bonus, stock transferability should be limited for a period); total remuneration for 12 months for key individuals evident; remuneration includes termination and retirement benefits.
C.19	Does the company show evidence of a policy requiring disclosure of related-party transactions?	Evidence of policy in place; disclosure includes name, relationship with counter-party, transaction amount; threshold for disclosure of RPT transactions low (e.g.0.1% of Owners Equity).

C.20	Are statements requesting directors to report their transactions in company shares evident?	If there is a request, directors are not being voluntarily transparent regarding their shareholding.
C.21	Does the Annual Report explain foreseeable business risks?	Language is easily comprehended; information comprehensive (for example, risks described – related to industry, geography, financial market risks); risk management policy in place; risk management practices evident; risk reporting in place.
C.22	Does the Annual Report include a separate, quality corporate governance report?	Separate CG Report available (separate section in AR); CG Report comprehensive and includes mention of corporate governance code and how it is implemented; CG Report includes mention of CG structures in the company.
C.23	Does the company have an annual external audit undertaken by an authorised auditor?	Annual external audit; auditor authorised; auditor firm name stated.
C.24	Do AGM and/or company documents refer to the 'independence' of the external auditor?	Discussion and references to the independence of the external auditor.
C.25	If a change of auditor is noted in the past two years, were the reasons for the change disclosed?	Reasons for change disclosed; (reappointment of same auditor/same audit firm is not a change of auditor).
C.26	Is there a policy that reviews the external auditor when undertaking non-audit services?	Company policy that prevents auditor undertaking non-audit services without approval.
C.27	Is the external auditor's opinion publicly disclosed?	In Annual Report and on the website.

C.28	Has there been any accounting / audit changes, qualifications or queries related to the financial statements in the past two years?	Audit qualification; accounting re-statement required; SSC/SX inquiry.
C.29	Does the company provide a variety of communication methods?	Annual Report; website, analyst briefings, press releases; And current information available and accessible.
C.30	Is the information on the company website comprehensive and accessible?	Downloadable Annual Report; Company group structure; Current financial information; current business operations information; strategy; CG report; shareholding structure; organizational structure; in Vietnamese and English.
C.31	Does the company have a policy and process to ensure continuous ad hoc disclosure of important matters?	Policy in place; persons nominated to be accountable; website and clear processes (e.g. company information updated).
C.32	Does the company provide easy public access to and contact details for the Investor Relations person or unit?	Available; name/unit details provided; email and phone contacts; disclosure policy in place.

D. Responsibilities of the board (Scorecard weighting – 30%)

	OECD Principle VI Responsibilities of the Board – The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders

D.1	Has the company promulgated good CG guidelines?	CG guidelines should include: BOD and SB values and responsibilities; convening and voting at AGM; nomination / dismissal of directors; BOD meeting processes; Appointment / dismissal of senior management; Co-ordination between BOD, SB and BOM; Performance evaluation of BOD, SB, and management
D.2	Does the company have clear company values and direction led by the BOD?	Written vision / mission; Written Code of Ethics or Code of Conduct; BOD sets 'tone at top' in behaviours and public statements and makes or has statements of values
D.3	Does company CG guidance disclose the material transactions that must be approved by the board?	Reserved board powers; transaction authorisation limits beyond which management cannot approve
D.4	Is the Chairman's role at board meetings clearly described in the company CG guidance?	Description of role evident and comprehensive
D.5	Is the Chairman a non-executive director?	Separation of roles of CEO and Chairman is considered best practice by OECD as it preserves a balance of power in the two most important roles in the company
D.6	Is the Chairman 'independent' of the company?	Not a major shareholder or representative of major shareholder (no shareholding above 5%); No close relations in company management; No current or former employment/business association with the company in the last 3 years;
D.7	How many BOD members are non-executive?	1/3 to be non-executive directors for majority of the year

D.8	What percentage of the BOD is 'independent'?	1/3 to be independent
D.9	Is there evidence of the BOD being a 'balanced board'?	Range of skills evident; business knowledge; accounting/finance skills; industry experience; balance of exec and non-exec directors. (if CEO is also Chairman, at least 50% of BOD is non-exec; if CEO is not also Chairman, at least 1/3 of BOD in non-exec)
D.10	Does company information and director information clearly state/disclose the number of board seats each director holds?	Full information on number of board seats held and board / committee positions noted; all BOD members hold 6 or less board seats
D.11	Does the company have a board induction policy and program for new appointments to the BOD and SB?	Induction policy in place; includes information to be provided; introductions to board and key executives;
D.12	Do the BOD and SB undertake an annual self assessment / evaluation?	Must have evidence of the evaluations of each of BOD and SB
D.13	Did BOD and SB members and CEO participate in CG training and report this?	Report on training of BOD and SB members and CEO available; and all BOD, SB members and CEO participated in training
D.14	How often did the BOD meet in the past year?	At least one meeting each quarter; individual BOD attendance recorded
D.15	How often did the SB meet in the past year?	At least twice per year; and individual attendance recorded

D.16	Are there mechanisms in place to ensure board members receive adequate notification of the board meeting for all BOD / SB meetings?	Company Secretary takes care; policies and processes in place (including annual calendar for board meetings, documents distributed at least 7 days in advance of meeting).
D.17	Do the BOD and SB keep meeting minutes and resolution records of each meeting?	Rules require records be kept; records available to all BOD and SB members respectively;
D.18	Has the BOD established BOD committees (Audit Committee, Remuneration Committee and Human Resource Committee) or designated a BOD person?	Committees established or a designated director in place; Committee charters noted; Committee reports to BOD noted
D.19	Is there evidence the BOD receives regular management reports on the company activities and its financial position?	Regular reporting required; Reports on activities and financial position; BOD discussion on reports
D.20	Is there evidence the BOD is responsible for the strategy and business plans of the company?	BOD evidence of approval and oversight of the strategy and business plans
D.21	Are the BOD/SB responsible for and oversees the risk management system of the company?	Evidence of risk management system in place (management identifies risks and has mechanisms to mitigate risks); evidence of risk reports considered by BOD/SB

D.22	Do the BOD / SB assess the CEO and key executives annually?	Annual evaluation occurs; performance evaluation linked to long-term company performance evident
D.23	Is there any evidence of non-compliance of the company over the last year?	Non-compliance would indicate that the BOD and SB have not sufficient control or monitoring processes in place
D.24	Do company documents cover/explain internal control structures, policies and practices?	AR, BOD/Audit Committee or SB reports/documents on: Internal control structures; internal control policies are evident and internal control practices evident
D.25	Does the internal audit function provide an independent evaluation of the internal control process and risk management of the company annually?	Internal audit separately established; Internal auditor reporting directly to the BOD / SB or Audit Committee; Independent evaluation noted; Evaluation includes internal controls and risk management
D.26	Does the company report on the activities of internal audit in its Annual Report and / or SB Report?	Have internal audit activities; Mentioned in Annual Report and on the website
D.27	Is there evidence of the practical SB oversight of the external auditor?	Evidence available and includes mention of selection of independent auditor, discussions with auditor on progress of audit, discussions with auditor on company issues
D.28	Is there evidence of the SB review and approve the Annual Report and financial statements?	Receipt and review of Annual Report and financial statements evident

D.29	Does the SB report include discussion of the SB supervision of operational and financial condition of the company; and of the performance of BOD, BOM and executive officers?	Report on operational and financial performance noted; Report on BOD noted; Report on BOM and executive officers noted
D.30	Does the SB Report include reference to the SB's performance, issues discussed and decisions taken?	SB performance (number of meetings and attendance record); Issues explained Decisions noted
D.31	Does the SB report on its evaluation of the coordination between the SB, BOD, BOM and shareholders?	Evaluation of coordination noted; quality report provided

Appendix 2. Relationship between CGI and firm financial performance

Author	Nation	Research Sample	Research period	Representative Variables of CG	Financial Performance Variables	Model/Method
Positive correlation						
Baysinger and Butler (1985)	US	266 firms	1970 and 1980	External BOD members	ROE	OLS
Klein (1998)	US	S&P 500 firms	1992-1993	Internal BOD members	ROA	OLS
Villalonge and Amit (2006)	US	Fortune 500	1994-2000	share ownership by family	TobinQ	OLS
Anderson and Reeb (2003)	US	S&P 500	1992	External BOD members	TobinQ	OLS
Dahya et al. (2002)	UK	460 firms	1988-1996	Duality and external BOD members	ROA adjusted by industry	Mutivariate regression analysis
Unless (2006)	UK	1100 nonfinancial firms	1991-2001	External BOD members	TobinQ	GMM
Eisenhardt and Schoonhoven (1990)	US		1978-1985	BOD size	Revenue growth	Mutivariate regression analysis
Dahya and McConnell(2005b)	UK	700 listed firms	1988	External BOD members	Stock growth	Mutivariate regression analysis
Rosenstein and Wyatt (1990)	US	1251 external directors	1981 - 1985	External BOD members	Stock price	OLS
Schellenger et al. (1980)	US	526 firms	1986	External BOD members	ROA, ROE, RET, SRD	2SLS
Kiel and Nicholson (2003)	AUS	348 largest listing companies		BOD structure		OLS
Adams and Mehran (2005)	US	Bank sector	2005		ROE, ROA	OLS, FEM, REM

Negative correlation						
Agrawal and Knoeber (1996)	Us.	Forbes 800 firms	1988	External BOD members	TobinQ	2SLS
Abdullah (2007)	UK	UK listing firms	1999-2001;	External BOD members and BOD structure	TobinQ, ROA and ROE	2SLS
Lee and Filbeck (2006)	US	Medium size companies	2002-2004	BOD structure	ROA	OLS
Eisenberg, Sundgren, and Wells (1998)		879 firms	1992-1993	BOD structure	ROA	2SLS
Sundaramurthy et al. (1997)	US	261 firms adopted 486 antitakeove	1992-1994	Duality and external BOD members	CARS	OLS
Bhagat and Bolton (2008)	US		1990-2002 1990-2003 1990-2004	Duality and external BOD members	ROI	OLS, FEM, REM
Rechner and Dalton (1991)	US	230 Fortune 500 firms	1978-1983	Duality	ROI, ROE, and profit margin	OLS
No significant correlation						
Weir et al. (2002)	UK		1994-1996	Duality and external BOD members	TobinQ	OLS
Vafeas Theodorou (1998)	UK-	250 listed firms	1994	External BOD members	MB	OLS
Dulewicz and Herbert (2004)	UK-	86 listed firms	1997-2000	External BOD members	ROA	SPSS
Faccio and Lasfer (1999)	UK	1650 firms	1996-1997	Duality and external BOD members	ROE, ROA, TobinQ, P/E	Multivariate regression analysis
Lin et al. (2003)	UK	714 appointments in UK firm	1993 - 1996	Duality	CARS	OLS
Daily and Dalton (1992)	UK	100 listed firm		External BOD members	ROA, ROE, PER	OLS

Zahra and Stanton (1988)	US	100 listed firm		External BOD members	ROA , ROE	2SLS

Relationship between CGI and Firm financial performance

Author(s)	Country and sample	Periods	CGI components	Performance indicators	Regression methods	Key findings
Gompers et al., (2003)	US	1990s	Governance index has 5 component indexes including Delay, protection, voting, other and state	TobinQ, ROE, ROA, SRD	OLS	There is a significant positive relationship between shareholder rights and firm value
Drobetz et al., (2004)	Germany	1998-2002	CG rating by: CG commitment, shareholder rights, transparency, governance and supervisor of BOD, and audit	SRD, dividen yeild, PE	Multivariate regression	Significant positive relationship between CGR and firm value
Baeur et al., (2004)	EMU and the UK	1996-2001	Deminor's CG rating include 4 component group: shareholder rights and obligations, takeover prevention, declaration of governance, BOD's structure and functions	Profit margin, TobinQ, ROE	OLS, FEM, REM	Positive relationship between Deminor’s Corporate Governance Ratings and company value.

Klapper and Love (2004)	14 Emerrgin markets (495 companies from 25 countries)		CG rating by: discipline, disclosure and transparency, responsibility, fairness and social awareness	TobinQ, ROA	OLS	Good corporate governance is closely related to market value and good performance
Cremers and Nair (2005)	US	1990-2001	GIM index and takeover protection index include: 1) active shareholders (major shareholders) and (2) Takeover vulnerability (shareholder rights)	Tobin Q, Stock price return	OLS	positive relationship with stock abnormal returns and company value
Beiner et al., (2006)	Swiss	2002	Construction of CGI for Switzerland based on Swiss Code of Best Practice. CGI includes: (1) shares of the largest shareholders, (2) shares of major outside shareholders, (3) Board model, (4) leverage, (5) outside board members	TobinQ, ROA	3SLS	Positive relationship between CG according to company characteristics and Tobin's Q. In addition, board size also has a positive relationship with company value

Black et al (2006a)	Korea	2006	KCGI includes 5 component CGIs: (1) shareholder rights; (2) Board of Directors structure; (3) Board of Directors process; (4) Publicity; (5) Equality of ownership	TobinQ, Market to book, market to sales. Control variable: firm asset, firm year, debt to equity ratio	2SLS and 3SLS	The total KCGI index and the component KCGI indexes (1), (2), (4) and (5) all have positive implications for efficiency. Board independence positively predicts higher stock value.
Rashid, K & Sardari, (2008)	Aus	2005-2007	TobinQ	Market cap, price to book value	GMM	postive relationship between CG and firm value
Foerster and Huen (2004)	Canada	2003	Market cap	Industry dummy	OLS	CG practices have signicant impact to market value
Leal and Carvalhal-da-Silva (2005)	Brazil	1998-2002	Includes 4 governance sections, namely: disclosure, board composition, ownership and control structure, and shareholder rights.	TobinQ, ROA	2SLS	- Less than 4% of Brazilian companies have good CG practices. - Companies with good CG have significantly higher performance (ROA) - There is a positive but insignificant relationship between Tobin's Q and good CG practice.

References

Abeysekera, R., & Fernando, C. (2023). The impact of corporate governance practices on firm performance: Evidence from Sri Lanka. Journal of Applied Accounting Research, 22(3), 231-254. DOI: 10.1108/JAAR-10-2021-0190

Adhikary, B., Huynh, L., & Hoang, G. (2014). Board structure and firm performance in emerging economies: Evidence from Vietnam. *Ruhuna Journal of Management and Finance*, 1(1), 53-72.

Agrawal, A., & Knoeber, C. R. (1996). Firm Performance and Mechanisms to Control Agency Problems between Managers and Shareholders. *Journal of Financial and Quantitative Analysis*, 31(3), 377-397.

Akerlof, G. (1970). The market for “lemons”: Quality uncertainty and the market mechanism. *The Quarterly Journal of Economics* 84(3), 488-500.

Allen, F., Carletti, E., & Marquez, R. (2007). Stakeholder capitalism, corporate governance and firm value. *Corporate Governance and Firm Value (September 16, 2009). EFA*.

Al-Matari, E., Al-Swidi, A., & Fadzil, F. (2014). The measurements of firm performance's dimensions. *Asian Journal of Finance & Accounting*, 6(1), 24.

Al-Janahi, T., & Abeysekera, R. (2023). The role of corporate governance mechanisms in mitigating financial reporting risk: Evidence from the UAE banking sector. Accounting Forum, 47(1), 108-123. DOI: 10.1016/j.accfor.2022.04.003

Bamber, L., & Cheon, Y. (1998). Discretionary management earnings forecast disclosures: Antecedents and outcomes associated with forecast venue and forecast specificity choices. *Journal of Accounting Research*, 36(2), 167-190.

Bebchuk, L., & Cohen, A. (2005). The costs of entrenched boards. *Journal of Financial Economics*, 78(2), 409-433.

Bebchuk, L., Cohen, A., & Ferrell, A. (2009). What matters in corporate governance?. *The Review of financial studies*, 22(2), 783-827.

Becht, M., Bolton, P., & Roell, A. (2011). Corporate governance and control. In G. Constantinides, M. Harris, & R. Stulz (Eds.), *Handbook of the Economics of Finance* (Vol. 2, pp. 1-109). Elsevier.

Benjamin, I., & Ehikioya. (2009). Corporate governance structure and firm performance in developing economies: evidence from Nigeria. *Corporate Governance: The international journal of business in society*, 9(3), 231-243.

Berle, A., & Means, G. (1932). The Modern Corporation and Private Property. *California Law Review*, 21(1), 78. doi:10.2307/3475545

Berman, S. L., Wicks, A. C., Kotha, S., & Jones, T. M. (1999). Does stakeholder orientation matter? The relationship between stakeholder management models and firm financial performance. *Academy of Management journal*, 42(5), 488-506.

Bhagat, S., & Black, B. (1999). The uncertain relationship between board composition and firm performance. *The Business Lawyer*, 54(3), 921-963.

Bhagat, S., & Bolton, B. (2008). *Corporate governance and firm performance*: recent evidence. *Working Paper*.

Black, B. (2001). The corporate governance behavior and market value of Russian firms. *Emerging markets review*, 2(2), 89-108.

Black, B., Jang, H., & Kim, W. (2006). Does corporate governance predict firms' market values? Evidence from Korea. *The Journal of Law, Economics, and Organization*, 22(2), 366-413.

Bozec, R., & Bozec, Y. (2012). The use of governance indexes in the governance-performance relationship literature: International evidence. *Canadian Journal of Administrative Sciences/Revue canadienne des sciences de l'administration*, 29(1), 79-98.

Brickley, J. A., Coles, J. L., & Jarrell, G. (1997). Leadership structure: Separating the CEO and Chairman of the Board. *Journal of Corporate Finance*, 3(3), 189-220. doi:http://dx.doi.org/10.1016/S0929-1199(96)00013-2

Brickley, J., Lease, R., & Smith, C. (1988). Ownership structure and voting on anti takeover amendments. *Journal of Financial Economics*, 20, 243-277.

Brown, L., & Caylor, M. (2006). Corporate governance and firm valuation. *Journal of accounting and public policy*, 25(4), 409-434.

Bui, X. H., & Nunoi, C. (2008). Corporate governance in Vietnam: A system in trasition. *Hitotsubashi Journal of Commerce and Management*, 42(1), 45-66.

Bushman, R. M., & Landsman, W. R. (2010). The pros and cons of regulating corporate reporting: A critical review of the arguments. *Accounting and Business Research*, *40*(3), 259-273. https://doi.org/10.1080/00014788.2010.9663400

Campbell, K., & Minguez-Vera, A. (2008). Gender Diversity in the boardroom and firm financial performance. *Journal of Business Ethics*, 83(3), 435-451.

Carter, D. A., Simkins, B. J., & Simpson, W. G. (2003). Corporate governance, board diversity and firm value. *Financial Review*, 38(1), 33-53.

Chang, A. L. A. (2004). The Impact of Corporate Governance Practices on Firm's Financial Performance: Evidence from Malaysian Companies. *ASEAN Economic Bullentin*, 21(3), 308-318.

Chen, C., Lin, J., & Yi, B. (2008). CEO duality and firm performance: an endogeneity issue. *Corporate Ownership and Control*, 6(1), 58-64.

Cheung, Y. L., Jiang, P., Limpaphayom, P., & Tong, L. U. (2008). Does corporate governance matter in China?. *China Economic Review*, 19(3), 460-479.

Cheung, Y., Jiang, P., & Tan, W. (2010). A transparency disclosure index measuring disclosures: Chinese listed companies. *Journal of Accounting and Public Policy*, 29(3), 259-280.

Cheung, Y., Jiang, P., Limpaphayom, P., & Tong, L. (2007). Does corporate governance matter in China? *China Economic Review*, 19(3), 460-479.

Choi, J. J., Park, S. W., & Yoo, S. S. (2007). The value of outside Directors: Evidence from Corporate Governance Reform in Korea. *The Journal of Financial and Quantitative Analysis*, 42(4), 941- 962.

Chugh et al. (2010). Corporate Governance: Shareholder Rights And Firm Performance. *Journal of Business & Economics Research* (JBER), 8(9).

Chung, K. H., & Pruitt, S. W. (1996). Executive Ownership, Corporate Value and Executive Compensation: A Unifying Framework. *Journal of Banking and Finance*, 20, 1135-1159.

Claessens, S. 2006. Corporate Governance and Development. World Bank Research Observer, 21(1), pp.91-122.

Claessens, S. and Yurtoglu, B. 2012. Focus 10: Corporate Governance and Development — An Update. Global Corporate Governance Forum, IFC. http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/corporate+governance/publications/focus_case+studies/focus+10+corporate+governance+and+development+-+an+update

Claessens, S., & Yurtoglu, B. B. (2013). Corporate governance in emerging markets: A survey. *Emerging Markets Review*, 15, 1-33. doi:http://dx.doi.org/10.1016/j.ememar.2012.03.002

Clatworthy, M., & Jones, M. (2006). Differential patterns of textual characteristics and company performance in the chairman's statement. *Accounting, Auditing & Accountability Journal*, 19(4), 493-511.

Conyon, M., & Peck, S. (1998). Board size and corporate performance: evidence from European coutries. *European Journal of Finance*, 4, 291-304.

Cox, J. T. H., & Blake, S. (1991). Managing Cultural Diversity: Implications for organizational competitiveness. *Academy of Management Executive*, 5, 45-58.

Dalton, D. R., Daily, C. M., Johnson, J. L., & Ellstrand, A. E. (1999). Number of directors and financial performance: a meta-analysis. *Acad.Manag.J*, 674-686.

Dao, B., & Hoang, G. (2014). VN30 Index: Corporate governance and performance analysis. *Available at SSRN 2543097*.

Davis, J. H., Schoorman, F. D., & Donaldson, L. (1997). Davis, Schoorman, and Donaldson reply: The distinctiveness of agency theory and stewardship theory.

De Andres, P., Azofra, V., & Lopez, F. (2005). Corporate boards in OECD countries: Size, composition, functioning and effectiveness. *Corporate Governance: An International Review*, 13(2), 197-210.

Dehaene, A., De Vuyst, V., & Ooghe, H. (2001). Corporate Performance and Board Structure in Belgian Companies. *Long Range Planning*, 34(3), 383-398. doi:http://dx.doi.org/10.1016/S0024- 6301(01)00045-0

Demsetz, H., & Villalonga, B. (2001). Ownership structure and corporate performance. *Journal of corporate finance*, 7(3), 209-233.

Donaldson, L., & Davis, J. (1991). Stewardship theory or agency theory: CEO governance and shareholder returns. *Australian Journal of management*, 16(1), 49-64.

Donaldson, L., & Davis, J. H. (1994). Board and Companiy Performance-Research Challenges the Conventional Wisdom. Corporate Governance: *An International Review*, 2(3), 151-160.

Drobetz, W., Schillhofer, A., & Zimmermann, H. (2004). Corporate governance and expected stock returns: Evidence from Germany. *European financial management*, 10(2), 267-293.

Durisin, B., & Puzone, F. (2009). Maturation of corporate governance research, 1993–2007: An assessment. *Corporate Governance: An International Review*, 17(3), 266-291.

Dwivedi, N., & Jain, A. K. (2005). Corporate Governance and Performance of Indian Firms: The Effect of Board Size and Ownership. *Employee Responsibilities and Rights Journal*, 17(3), 161-172.

Earley, P. C., & Mosakowski, E. (2000). Creating hybrid team cultures: An emperical test of transitional team functioning. *Academy of Management Journal*, 43(1), 26-49.

Eisenberg, T., Sundgren, S., & Wells, M. (1998). Larger board size and decreasing firm value in small firms. *Journal of Financial Economics*, 48(1), 35-54.

Epps, R., & Cereola, S. (2008). Do institutional shareholder services (ISS) corporate governance ratings reflect a company's operating performance?. *Critical Perspectives on Accounting*, 19(8), 1135-1148.

Euromoney Institutional Investor Plc. (2001), Standard & Poor's weighs up global corporate reports, *Euromoney*, October.

Evans, J., Evans, R., & Loh, S. (2002). Corporate Governance And Declining Firm Performance. *International Journal of Business Studies*, 10(1).

Faleye, O., Hoitash, R., & Hoitash, U. (2011). The costs of intense board monitoring. *Journal of Financial Economics*, 101(1), 160-181.

Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *J.Law Econ*, 26(2), 301-325. Fenwick, G. D., & Neal, D. J. (2001). Effect of Gender Composition on Group Performance. Gender, Work & Organization, 8(2), 205-225.

Fama, E., & Jensen, M. (1983). Separation of ownership and control. *Journal of Law and Economics*, 26(2), 301-325.

Finch, E., & Shivdasani, A. (2006). Are busy boards effective monitors. *Journal of Finance*, 51(2), 689–724.

Firstenberg, P. B., & Malkiel, F. J. (1994). The twenty-first century boardroom: who will be in charge. *Sloan Management Review*, 36(1), 27-35.

Freeman, R. (1984), *Strategic Management*: A Stakeholder Approach, Ballinger, Boston, MA.

Freeman, R. E., Harrison, J. S., Wicks, A. C., Parmar, B. L., & de Colle, S. (2010). *Stakeholder Theory: The State of the Art*. Cambridge University Press.

Friedman, A. L., & Miles, S. (2006). *Stakeholders: Theory and practice*. Oxford University Press on Demand.

George, A. Akerlof (1970). The market for "lemons": Quality uncertainty and the mar- ket mechanism; *The Quarterly Journal of Economics* 84(3):488–500.

Gill, A., & Mathur, N. (2011). Factors that Influence Financial Leverage of Canadian Firms. *Journal of Applied Finance and Banking*, 1(2), 19-37.

Gillan, C. M., Papmeyer, M., Morein-Zamir, S., Sahakian, B. J., Fineberg, N. A., Robbins, T. W., & de Wit, S. (2011). Disruption in the balance between goal-directed behavior and habit learning in obsessive-compulsive disorder. *American Journal of Psychiatry*, 168(7), 718-726.

Gillan, S., & Starks, L. (2000). Corporate governance proposals and shareholder activism: The role of institutional investors. *Journal of financial Economics*, 57(2), 275-305.

Gompers, P., Ishii, J., & Metrick, A. (2003). Corporate governance and equity prices. *The quarterly journal of economics*, 118(1), 107-156.

Gordon, L. A. (2021). Corporate governance: Improving the quality of board oversight. Business Expert Press.

Grossman, S. J., & Stiglitz, J. E. (1980). On the impossibility of informationally efficient markets. *The American economic review*, 70(3), 393-408.

Haniffa, R., & Hudaib, M. (2006). Corporate Governance Structure and Firm Performance of Malaysian Listed Companies. *Journal of Business Finance & Accounting*, 33(7-8), 1034-1062.

Harris, M., & Raviv, A. (2008). A theory of board control and size. *Rev.Financ.Stud*, 21(4), 1797-1832.

He, P., Liu, H., & Wei, Y. (2020). The impact of Covid-19 on corporate governance and firm performance: Evidence from China. Finance Research Letters, 38, 101839. https://doi.org/10.1016/j.frl.2020.101839

Hermalin, B., & Weisbach, M. (2003). Boards of Directors as an Endogenously Determined Institution: A Survey of the Economic Literature. *FRBNY Economic Policy Review*, 9(1), 7-26.

Hilman, A. & Dalziel, T. (2003), Board of directors and firm performance: Integrating agency and resource dependence perspectives, *Academy of Management Review*, 28(3), 383-396.

Holderness, C. G. (2003). A survey of blockholders and coporate control. *Economic Policy Review- Federal Reserve Bank of New York*, 9(1), 51-63.

International Corporate Governance Network. (2021). ICGN Global Governance Principles 2021. Retrieved from https://www.icgn.org/sites/default/files/2021-11/ICGN%20Global%20Governance%20Principles%202021.pdf

Husted, B. W., & Allen, D. B. (2009). Strategic corporate social responsibility and value creation. *Management International Review*, 49(6), 781.

IFC. (2011). Vietnam Corporate Governance Project: Newsletter No.2. Retrieved from https://www.ifc.org/content/dam/ifc/doc/mgrt/vcg-newsletterno2-eng.pdf

IFC. (2012). The 2011 corporate governance scorecard for Vietnam. Retrieved from https://www.ifc.org/content/dam/ifc/doc/mgrt/vcg-newsletterno2-eng.pdf

IFC. (2015). Corporate Governance in Vietnam: Success Stories. Retrieved from https://www.ifc.org/content/dam/ifc/doc/mgrt/cg-success-stories-mena062015.pdfIFC. (2020). Vietnam corporate governance report by scorecard for Asean region. Retrieved from *https://viod.vn/wp-content/uploads/2020/01/2017-ACGS-Vietnam-Country-Report-VIE-Jan-20-2020.pdf*

Jackling, B., & Johl, S. (2009). Board Structure and Firm Performance: Evidence from India's Top Companies. *Corporate Governance: An International Review*, 17(4), 492-509.

Jacob, J. (2020). America's biggest companies are flourishing during the pandemic and putting thousands of people out of work. https://www.washingtonpost.com/graphics/2020/business/50-biggest-companies-coronavirus-layoffs/

Jebran, K., & Chen, S. (2020). The impact of Covid-19 on corporate governance and firm value: Evidence from emerging markets. Finance Research Letters, 35, 101694. https://doi.org/10.1016/j.frl.2020.101694

Jebran, K., & Chen, S. (2021). Can we learn lessons from the past? COVID-19 crisis and corporate governance responses. *International Journal of Finance & Economics*, early view.

Jensen, M. (1993). The modern industrial revolution, exit and the failure of internal control systems. *Journal of Finance*, 48, 831-880.

Jensen, M. (2002). Value maximization, stakeholder theory, and the corporate objective function. *Business Ethics Quarterly*, 12(2), 235-256.

Jensen, M. (2010). Value maximization, stakeholder theory, and the corporate objective function. *Journal of applied corporate finance*, 22(1), 32-42.

Jensen, M. C. (1986). Agency costs of free cash flow, corporate finance, and takeovers. *American Economic Review*, LVIII(2), 319-333.

Jensen, M. C., & Murphy, K. J. (1990). CEO Incentives-It's Not How Much You Pay, But How. *Harvard Business Review*, 3, 138-153.

Jensen, M., & Meckling, W. (1976). Theory of the firm: managerial behaviour, agency cost, and ownership structure. *J.Financ.Econ*, 3(5), 305-360.

Jiraporn, C., & Nguyen, D. N. (2022). The moderating effect of board diligence on the relationship between corporate governance and firm performance in emerging economies. Journal of Asian Business Economics Studies, 13(2), 223-243. DOI: 10.1108/JABE-08-2021-0205

Kang, H., Cheng, M., & Gray, S. (2007). Corporate governance and board composition: Diversity and independence of Australian boards. *Corporate Governance: An International Review*, 15(2), 194-207.

Kao, M. F., Hodgkinson, L., & Jaafar, A. (2019). Ownership structure, board of directors and firm performance: evidence from Taiwan. Corporate Governance: The international journal of business in society.

Karpoff, J., Malatesta, P., & Walkling, R. (1996). Corporate governance and shareholder initiatives: Empirical evidence. *Journal of Financial Economics*, 42(3), 365-395.

Kiel, G., & Nicholson, G. (2003). Board composition and corporate governance: how the Australian experience informs contrasting theories of corporate governance. *Corporate Governance: An International Journal*, 11(3), 189-205.

King, T., & Wen, M. (2011). Shareholder governance, bondholder governance, and managerial risk-taking. *Journal of Banking & Finance*, 35(3), 512-531.

Klapper, L. F., & Love, I. (2003). Corporate governance, investor protection, and performance in emerging markets. *Journal of Corporate Finance*, 10(5), 703-728. doi:http://dx.doi.org/10.1016/S0929-1199(03)00046-4

Klein, A. (1998). Firm Performance and Board Committee Structure. *Journal of Law and Economics*, 41(1), 275-304.

Kothari, S. P., Li, X., & Short, J. E. (2009). The effect of disclosures by management, analysts, and business press on cost of capital, return volatility, and analyst forecasts: A study using content analysis. *The Accounting Review*, 84(5), 1639-1670.

Kraakman, R., Davies, P., Hansmann, H., Hertig, G., Hopt, K. J., Kanda, H., & Rock, E. B. (2009). The anatomy of corporate law: A comparative and functional approach (2nd ed.). Oxford University Press.

Krivogorsky, V. (2006). Ownership, board structure, and performance in continental Europe. *The International Journal of Accounting*, 41(2), 176-197. doi:http://dx.doi.org/10.1016/j.intacc.2006.04.002

La Porta, R., Lakonishok, J., Schleifer, A., & Vishny, R. (1997). Good News for Value Stocks: Further Evidence on Market Efficiency. *The Journal of Finance*, 52(2), 859-874.

La Porta, R., Lopez-de-Silanes, F., & Vishny, R. W. (2002). Investor protection and corporate valuation. *Journal of Finance*, 57, 1147-1170. doi:http://dx.doi.org/10.1016/S0304-405X(00)00065-9

Lam, T. Y., & Lee, S. K. (2008). CEO duality and firm performance: evidence from Hong Kong. Corporate Governance: The international journal of business in society.

Lang, M. H., & Lundholm, R. J. (2000). Voluntary disclosure and equity offerings: reducing information asymmetry or hyping the stock?. *Contemporary accounting research*, 17(4), 623-662.

Larcker, D. F., & Tayan, B. (2020). Corporate governance matters: A closer look at organizational choices and their consequences (3rd ed.). Pearson Education.

Le, T. M., & Walker, G. (2008). Corporate governance of listed companies in Vietnam. *Bond Law Review*, 20(2), 1-80.

Li, X. (2010). The impacts of product market competition on the quantity and quality of voluntary disclosures. *Review of Accounting Studies*, 15(3), 663-711.

Litz, R. A., & Folker, C. A. (2002). When he and she sell seashells: Exploring the relationship between management team gender-balance and small sirm performance. *Journal of Development*, 7(4), 341-359.

Li, M., Liu, J., & Yang, Y. (2023). Financial Data Quality Evaluation Method Based on Multiple Linear Regression. Future Internet, 15(10), 338. https://doi.org/10.3390/fi15100338

Mak, Y. T., & Kusnadi, Y. (2005). Size really matters: Further evidence on the negative relationship between board size and firm value. *Pacific-Basin Finance Journal*, 13(3), 301-318. doi:http://dx.doi.org/10.1016/j.pacfin.2004.09.002

Malaysia's Corporate Governance Principles. (2021). *Securities Commission Malaysia*. https://www.sc.com.my/api/documentms/download.ashx?id=d5bcbec5-e0dc-4f83-8c90-6c4f528c9604

Mallin, C. (2004). *Corporate Governance*, Oxford University Press.

Mallin, C. A. (2016). Corporate governance (5th ed.). Oxford University Press.

Mallin, C., & Melis, A. (2012). Shareholder rights, shareholder voting, and corporate performance. *Journal of Management & Governance*, 16(2), 171-176.

Martynova, M., & Renneboog, L. (2010). A corporate governance index: convergence and diversity of national corporate governance regulations.

Mashayekhi, B., & Bazaz, M. S. (2008). Corporate Governance and Firm Performance in Iran. *Journal of Contemporary Accounting & Economics*, 4(2), 156-172. doi:http://dx.doi.org/10.1016/S1815-5669(10)70033-3

Mason, C., & Simmons, J. (2014). Embedding corporate social responsibility in corporate governance: A stakeholder systems approach. *Journal of Business Ethics*, 119(1), 77-86.

McNulty, T., & Nordberg, D. (2021). Governance and the Covid-19 crisis: Implications for board directors and their roles. Journal of Management Studies, 58(1), 242-247. https://doi.org/10.1111/joms.12668

Monks, R. A. G., & Minow, N. (1995). Corporate governance on equity ownership and corporate value. Journal of financial Economics, 20(3), 293-315.

Morck, R., Shleifer, A., & Vishney, R. W. (1988). Management ownership and market valuation: an empirical analysis. *Journal of Finacial Economics*, 20(1), 293-315.

Murphy, A., & Topyan, K. (2005). Corporate governance: A critical survey of key concepts, issues, and recent reforms in the US. *Employee Responsibilities and Rights Journal*, 17(2), 75-89.

Murphy, A., & Topyan, K. (2005). Corporate governance: A critical survey of key concepts, issues, and recent reforms in the US. *Employee Responsibilities and Rights Journal*, 17(2), 75-89.

Nagar, V., Nanda, D., & Wysocki, P. (2003). Discretionary disclosure and stock-based incentives. *Journal of Accounting and Economics*, 34(1-3), 283-309.

Nguyen & Dang (2022). Impact of corporate governance and ownership on business performance: A case study of Vietnam. *Problems and Perspectives in Management*, 20(2), 96-106.

Nguyen, H. T., & Van Dijk, M. A. (2012). Corruption, growth, and governance: Private vs. state-owned firms in Vietnam. *Journal of Banking & Finance*, *36*(11), 2935-2948. https://doi.org/10.1016/j.jbankfin.2012.03.027

Nguyen, T., Locke, S., & Reddy, K. (2014). A dynamic estimation of governance structures and financial performance for Singaporean companies. *Economic Modelling*, 40(0), 1-11. doi:http://dx.doi.org/10.1016/j.econmod.2014.03.013

Nguyen, T., Locke, S., & Reddy, K. (2015). Does boardroom gender diversity matter? Evidence from a transitional economy. *International Review of Economics & Finance*, 37(0), 184-202. doi:http://dx.doi.org/10.1016/j.iref.2014.11.022

O'Connell, V., & Cramer, N. (2010). The relationship between firm performance and board characteristics in Ireland. *European Management Journal*, 28, 387-399.

OECD *Principles of Corporate Governance* (2004).

OECD. (2006). *Immplementing the White Paper on corporate Governance in Asia.*

OECD. (2015). *G20/ OECD Principles of Corporate Governance*. OECD Publishing. http://www.oecd-ilibrary.org/governance/g20-oecd-principles-of-corporate-governance2015_9789264236882-en.

OECD. (2015). *G20/OECD Principles of Corporate Governance*. OECD Publishing. *Retrieved from http://www.oecd-ilibrary.org/governance/g20-oecd-principles-of-corporate-governance2015_9789264236882-en.*

Pedersen, T., & Thomsen, S. (2003). Ownership Structure and Value of the Largest European Firms: The importance of Owner Identity. *Journal of Management & Governance,* 7(1), 27-55.

Pfeffer, J., & Salancik, G. (1978). *The External Control of Organization: A Resource Depedence Perspective*: Stanford University Press.

Pfeffer, J., & Salancik, G. R. (2003). *The external control of organizations: A resource dependence perspective.* Stanford University Press.

Pham, D. M. (2017). Vietnam: Deepening international integration and implementing the EVFTA [World Bank Documents]. World Bank Publications. Retrieved from https://documents.worldbank.org/curated/en/866871589557725251/pdf/Vietnam-Deepening-International-Integration-and-Implementing-the-EVFTA.pdf

Pham, N., Oh, K. B., & Pech, R. (2015). Mergers and acquisitions: CEO duality, operating performance and stock returns in Vietnam. *Pacific-Basin Finance Journal*(0). doi: http://dx.doi.org/10.1016/j.pacfin.2015.01.007

Pham, N., Oh, K., & Pech, R. (2015). Mergers and acquisitions: CEO duality, operating performance and stock returns in Vietnam. *Pacific-Basin Finance Journal*, 35(A), 298-316.

Pham, Q., Ho, T., Pham, D., & Nguyen, H. (2020). Effects of corporate governance on high growth rate: evidence from Vietnamese listed companies. *Management Science Letters*, 10(7), 1553-1566.

Prugsamatz, R. (2010). Factors that influence organization learning sustainability in non-profit organizations. *The Learning Organization*, 17(3), 243-267.

Rechner, P. L., & Dalton, D. R. (1991). CEO duality and organizational performance: A longitudinal analysis. *Strategic Management Journal*, 12(2), 155-160.

Reddy, K., Locke, S., Scrimgeour, F., & Gunasekarage, A. (2008). Corporate governance practices of small cap companies and their financial performance: An emperical study in Newzealand. *International Journal of Business Governance and Ethics*, 4(1), 51-78.

Reddy, K., Locke, S., Scrimgeour, F., & Gunasekarage, A. (2008). Corporate governance practices of small cap companies and their financial performance: An empirical dissertation in New Zealand. *International Journal of Business Governance and Ethics*, 4(1), 51-78.

Rose, C. (2007). Does female board representation influence firm performance? The Danish evidence. *Corporate Governance: An International Review*, 15(2), 404-413.

Rosenstein, S., & Wyatt, J. G. (1990). Outside directors, board independence, and shareholder wealth. *Journal of Financial Economics*, 26(2), 175-191. doi:http://dx.doi.org/10.1016/0304-405X(90)90002-H

Rouf, M. A. (2011). The relationship between corporate governance and value of the firm in developing countries: Evidence from Bangladesh. *The International Journal of Applied Economics and Finance*, 5(3), 237-244.

Schepker, D. & Oh, W-Y. (2013). Complementary or Substitutive Effects? Corporate Governance Mechanisms and Poison Pill Repeal. *Journal of Management*, 39(7), 1729-1759.

Sharpe, W. (1964). Capital asset prices: A theory of market equilibrium under conditions of risk. *Journal of Finance*, 19(3), 425-442.

Shin, J. Y., Hyun, J. H., Oh, S., & Yang, H. (2018). The effects of politically connected outside directors on firm performance: Evidence from Korean chaebol firms. *Corporate Governance: An International Review*, 26(1), 23-44.

Shleifer, A., & Vishney, R. (1997). A survey of corporate governance. *Journal of Finance*, 52(2), 737-783.

Shleifer, A., & Vishney, R. W. (1986). Large shaholders and corporate control. J.Polit.Econ, 94(3), 461- 488.

Singapore and Australia's Corporate Governance Principles. (2021). *Australian Securities Exchange*. https://www.asx.com.au/documents/regulation/corporate-governance-principles-and-recommendations.pdf

Solomon, H. (2014). Risk management provider now ranks organizations against each other. *IT World Canada*. *Retrieved from http://www.itworldcanada.com/article/risk-management-provider-now-ranks-organizations-against-each-other/94859*

Standard & Poor (2002). Sustainability: The Business Perspective. *Retrieved from https://rdmc.nottingham.ac.uk/bitstream/handle/internal/86/Business_edit/33_rating_agencies_corporate_governance_indices.html*

Sternberg, R. (1998). A balance theory of wisdom. *Review of general psychology*, *2*(4), 347-365.

Stuebs, M., & Sun, L. (2015). Corporate governance and social responsibility. *International Journal of Law and Management.*

Thailand's Corporate Governance Principles. (2021). *Thai Institute of Directors*. https://www.thai-iod.com/en/publications-thailand-cg-code

Thompson, J. D., & McEwen, W. J. (1958). Organizational goals and environment: Goal-setting as an interaction process. *American Sociological Review*, 23(1), 23-31.

Thomsen, S., Pedersen, T., & Kvist, H. (2006). Blockholder ownership: Effects on firm value in market and control-based governance systems. *Journal of Corporate finance*, *12*(2), 246-269.

Tricker, R. B. (2020). Corporate governance: Principles, policies, and practices. Oxford University Press.

Truong, Q., Swierczek, F. W., & Dang, T. K. C. (1998). Effective leadership in joint ventures in Vietnam: A cross-cultural perspective. *Jornal of Organizational Change Management*, 11(4), 357-372.

Viet, P. (2013). Board Structure and Corporate Financial Performance: Empirical Evidence from Vietnam's Listed Firms. *The Bullentin of The Graduate School of Commerce, Waseda University*, 78, 205-231.

Vo, D., & Phan, T. (2013). Corporate governance and firm performance: Empirical evidence from Vietnam. *Journal of Economic Development*, 7(1), 62-78.

Watson, T., Osborne-Brown, S., & Longhurst, M. (2002). Issues Negotiation™ – investing in stakeholders. *Corporate Communications: An International Journal*, 7(1), 54-61.

Waldman, D. A., Javorcik, B. S., & Jensen, N. M. (2016). The new institutional economics of corporate governance: A critical review. *Academy of Management Annals*, 10(1), 577-643. DOI: 10.5465/annals.14-1012-0035

Wheeler, D., & Sillanpa, M. (1998). Including the stakeholders: The business case. *Long range planning*, *31*(2), 201-210.

Williamson, O. (1985). *The economic institutions of capitalism*. New York: Free Press.

Wintoki, M. B., Linck, J. S., & Netter, J. M. (2012). Endogeneity and the dynamics of internal corporate governance. *Journal of Financial Economics*, 105(3), 581-606. doi:http://dx.doi.org/10.1016/j.jfineco.2012.03.005

World Bank. (2007). Report on Observance of Standards and Codes (ROSC)-Corporate governance country assessment: Vietnam.

World Bank. (2013a). Doing Business 2013: Smarter Regulation for Small and Medium- Size Enterprises.

World Bank. (2013b). Report on Observance of Standards and Codes (ROSC)-Corporate governance country assessment: Vietnam.

World Bank. (2016). Regulatory frameworks for business in East Asia: Introduction [Regulation and Business Development]. doi: 10.1596/9781464808337

World Bank. (2020). Doing business in Vietnam 2020 [Doing Business]. doi: 10.1818/doing-business-2020-VIETNAM

World Bank. (2021). Corporate governance and Covid-19: Implications and opportunities for developing countries. Retrieved from https://www.worldbank.org/en/topic/financialsector/brief/corporate-governance-and-covid-19

Yermack, D. (1996). Higher maket valuation of companies with a small board of directors. *J.Financ.Econ*, 40(2), 185-211.

Yoshikawa, T., Zhu, H., & Wang, P. (2014). National governance system, corporate ownership, and roles of outside directors: A corporate governance bundle perspective. *Corporate Governance: An International Review*, 22(3), 252-265.

Zahra, S., & Pearce II, J. (1989). Boards of Directors and corporate governance: A review and integrative model. *Journal of Management*, 15(2), 291-334.

Zajac, E., & Westphal, J. (1994). The costs and benefits of managerial incentives and monitoring in large US corporations: When is more not better? *Strategic Management Journal*, 15(S1), 121-142.

Zingales, L. (1998). “Corporate governance”, The New Palgrave Dictionary Economics and the Law, Macmillan, London.