

MINISTRY OF FINANCE
UNIVERSITY OF FINANCE – MARKETING

PHAM DUC HUY

**THE EFFECTS OF CORPORATE GOVERNANCE ON
VIETNAM'S LISTED FIRM PERFORMANCE THROUGH
THE STAGES OF THE FIRM'S LIFE CYCLE**

Major: Finance – Banking

Major code: 9340201

SUMMARY OF ECONOMICS PH.D'S THESIS

HO CHI MINH CITY – 2022

The thesis was completed in:
University of Finance - Marketing

Supervisors:
1. Ph.D. Pham Quoc Viet
2. Ph.D. Nguyen Ngoc Anh

Reviewer 1:.....
.....
Reviewer 2:.....
.....
Reviewer 3:.....
.....

The dissertation will be defended in front of the Dissertation Evaluation
Council at
time..... day..... month..... year
The thesis can be found at the library.....

Thesis can be found at the library:
- Library.....
- Library.....

THE AUTHOR'S PUBLICATIONS RELATED TO DISSERTATION

Publications on International journals:

(1)Pham, Duc-Huy, & Pham, Quoc-Viet. (2020). The impact of firm's life-cycle on board composition: Evidence from Vietnam's listed firms. *Accounting*, 6(6), 1065-1070.

(2)Pham, Duc-Huy, & Pham, Quoc-Viet. (2020). The impact of CEO Duality on firm performance: Examining the life-cycle theory in Vietnam. *Accounting*, 6(5), 737-747.

(3)Phạm, Quoc-Viet., Ho, Thu-Hoai., Pham, Duc-Huy., & Nguyen, Hong-Ron. (2020). Effects of corporate governance on high growth rate: Edividen from Vietnamese listed companies. *Management Science Letters*, 10(7), 1553-1556.

(1)Pham, Duc-Huy (2020). The impact of concurrently the Director and Chairman of the Board on firm performance - Examining the life-cycle theory in Vietnam. *Review of Finance, Issue 1, June/2020* (730).

(2)Pham Quoc Viet, Ho Thu Hoai, Pham Duc Huy, Nguyen Van Phong & Le Thi Hong Hanh. (2019), The role of CEO in fast-growing enterprises: the case of Vietnam. *Journal of Finance and Marketing*, số 53, 10/2019.

Scientific Research Project - University Level (Vietnamese)

(1)Pham Duc Huy (main author), Pham Quoc Viet, Bui Huu Phuoc, Cao Tan Huy & Dinh Thi Le. (2019). The characteristics of the CEO effect on Vietnam listed firm's performance through the stages of the firm's life-cycles. *University of Finance and Marketing scientific research work. Project number: CS-07-19, acceptance 09/2020*.

(2)Pham Quoc Viet (main author), Ho Thu Hoai, Pham Duc Huy, Nguyen Van Phong & Le Thi Hong Hanh. (2019), The impact of corporate governance on business growth potential – an empirical study in companies listed on the Vietnamese stock market. *University of Finance and Marketing scientific research work. Project number: CS-01-18, acceptance 06/2019*.

TABLE OF CONTENTS

CHAPTER 1. OVERVIEW OF THE RESEARCH	1
1.1. The necessity of research problems	1
1.2. Research objectives and research questions.....	2
1.3. Subject and scope of the study	2
1.4. Research Methods	3
1.5. Contribution of the research.....	3
1.6. Research structure	5
CHAPTER 2. THEORETICAL FRAMEWORK AND LITERATURE REVIEWS	5
2.1. Overview of corporate governance	5
2.1.1. The concept of corporate governance.....	5
2.1.2. Principles of corporate governance	6
2.2. Overview of the firm's performance	6
2.2.1. The concept of a firm's performance	6
2.2.2. Firm's performance measure.....	6
2.3. Theoretical of the relationship between corporate governance and firm's performance	6
2.3.1. Asymmetric Information Theory.....	6
2.3.1. Agency theory	7
2.3.2. Stewardship theory	7
2.3.3. Resource dependency theory	7
2.4. Overview of the firm's life cycle.....	7
2.4.1. Firm's life cycle theory	7
2.4.2. Literature reviews on the firm's life cycle	8
2.5. Literature reviews on the relationship between corporate governance and firm performance.....	8
2.5.1. Literature reviews on the relationship between ownership structure and firm performance	8

2.5.2. Literature reviews on board structure and firm performance	9
2.6. Literature reviews on corporate governance, firm's performance, and firm's life cycle.....	10
2.6.1. Literature reviews on corporate governance and firm's life cycle.....	10
2.6.2. Literature reviews on corporate governance, firm's performance, and firm's lifecycle stages.....	11
2.7. Research gap	12
CHAPTER 3. RESEARCH METHODS.....	12
3.1. Research hypothesis.....	12
3.1.1. Corporate governance through the stages of the firm's life cycle	12
3.1.2. The effect of corporate governance on firm performance through stages of the firm's life cycle	13
3.2. Research models	14
CHAPTER 4. RESULTS AND DISCUSSION.....	15
4.1. The change of corporate governance through stages of the firm's life cycle	15
4.2. The effect of corporate governance on firm performance through stage of the firm's life cycle	16
4.2.1. Results and discussion.....	16
4.2.2. Robustness test	19
CHAPTER 5. CONCLUSION AND POLICY IMPLICATION	19
5.1. Conclusion	19
5.2. Policy implications.....	20
5.3. Limitations and directions for future research	24

CHAPTER 1. OVERVIEW OF THE RESEARCH

1.1. The necessity of research problems

Penrose (1952) argued that the business life cycle, like the biological cycle of humans and other living things, which develops from the stage of formation to the point of decommissioning. When companies are formed, they develop and mature, the management of businesses must also evolve through the stages of the firm's life cycles. It can be understood that what succeeds in the early stages may not succeed in the later stages and corporate governance also needs to be changed accordingly to ensure the success's long term's of the company (Tran Ngoc Tho, 2003).

Corporate governance is considered an important factor to improve company performance, thereby increasing the confidence of investors and business partners in the company. Researchers around the world have approached the trend of corporate governance that changes over time, this flexible change is due to changes in business type, company size, revenue fluctuations and the profit of the enterprise. Liang et al. (2011) suggested that the sensitivity of the relationship between ownership structure and firm performance can be changed across the stages of the firm's life cycle (Liao et al., 2014; Shyu and Chen, 2009; Sridharan and Joshi, 2018). In parallel, Harjoto and Jo (2009), O'Connor and Byrne (2015b), Wahba and Elsayed (2014), Alqahtani et al (2021), Amin et al (2021), Habib et al (2018) believed that the BOD structure will affect the firm's performance through the stages of the firm's life cycle is different because the role of the BOD in each stage of the firm's life cycle is different.

Currently, corporate governance is one of the topics of interest to scholars, government agencies, and investors in Vietnam. Regulations, decrees, and circulars on corporate governance in Vietnam are being improved and gradually approached with corporate governance practices in the world. In order to promote the capital market and the sustainable

development of the economy, Vietnam's listed firm needs to approach international standards. Therefore, studying the relationship between corporate governance and a firm's performance is essential, especially since this relationship is considered through the stages of the firm's life cycle, which greatly contributes to the enterprises in the future when the transition from one stage to another. Therefore, it is necessary to have an empirical study on the effects of corporate governance on Vietnam's listed firm performance through the stages of firm's life-cycles.

1.2. Research objectives and research questions

The main objective of this thesis is to study the effects of corporate governance on Vietnam's listed firm performance through the stages of firm's life-cycles. Based on the stated research objectives, this thesis poses specific research questions to solve the research problem as follows:

(1) There are differences in the characteristics of corporate governance such as blockholder, ownership of the BOD, CEO share, BOD's size, the independence of BOD and CEO's duality through the stages of the business life cycle?

(2) The firm's life cycle effects on the characteristics of corporate governance such as blockholder, ownership of the BOD, CEO share, BOD's size, the independence of BOD and CEO's duality?

(3) The characteristic of corporate governance such as blockholder, ownership of the BOD, CEO share, BOD's size, the independence of BOD and CEO's duality effects the firm's performance through the stages of the firm's life cycle and the extent to which this variables affect the firm's performance through the stages of the firm's life cycle?

1.3. Subject and scope of the study

The subject of the study: The object of the thesis is the effect of corporate governance on Vietnam's listed firm's performance through the stages of the firm's life cycle.

Scope of the study: Vietnam's listed firms in HSX and HNX. The research period is selected 8 years, from 2012 to 2019.

1.4. Research Methods

The thesis uses analytical methods, descriptive statistics, interpretation, inference, synthesis, and panel data regression methods (OLS, FEM, REM, Tobit, SGMM) to clarify and highlight the problems about the effect of corporate governance on Vietnam's listed firm's performance through stages of the firm's life cycle.

1.5. Contribution of the research

The thesis based on the theoretical framework, literature reviews and the practical situation of the research problem should ensure scientificity. Brief content of new contributions about scientific and practical research drawn from the research results such as:

Firstly, the contribution of the thesis in terms of science. When researching corporate governance, firm performance and firm's life cycle, most of the previous studies only focus on individual angles. Therefore, the thesis is based on the theoretical framework, literature reviews and the practical situation of the research problem, so it should ensure scientificity. With this thesis topic, the author hopes to make a scientific contribution by perfecting the theoretical framework on the effects of corporate governance on a firm's performance through the stages of the firm's life cycle.

The agency theory showed that humans are a self-interested and personalized trend, so managers do not always act in the best interests of the owners (Jensen and Meckling, 1976). However, stewardship theory showed that managers are not influenced by personal goals but they are motivated to go hand in hand with the owner's goals (Donaldson and Davis, 1991; Muth and Donaldson, 1991, 1998). Thus, it can be said that there are many factors affecting the supervisory and control mechanism of managers to minimize agency costs and shareholder wealth maximization depending on different

conditions or depending on the development situation of the firm at different stages to establish a corporate governance mechanism to bring the highest results to the company and its shareholders. Recognizing and evaluating the degree of correlation and whether the correlation follows agency theory or is influenced by stewardship theory is extremely necessary to bring about the highest firm's performance.

From the resource dependence theory (Wernerfelt, 1984) that the resource provision of board members is directly related to firm performance. These resources can be advice, credibility and company access to incentives or support from organizations outside the company (Pfeffer and Salancik, 1978). In general, these studies have not mentioned the issues related to resource dependence theory in each stage of the firm's life cycle. According to the author's knowledge, this is a rather limited research topic in Vietnam when it is based on the resource dependency theory to examine the effects of corporate governance on a firm's performance through stages of the firm's life cycle.

Second, the thesis's contribution in terms of practice. Currently, Vietnamese firms are mostly going from private enterprises to public companies, the rest is equitization from state-owned enterprises and foreign-invested enterprises due to regulation economic conditions open. With these two types of businesses, ownership concentration will be a factor affecting firm's performance, especially since this relationship is considered in each stage of business development. The thesis will provide more empirical evidence on the effects of ownership structure on firm performance through the stages of the firm's life cycle.

Currently, there are many studies on the relationship between BOD structure and firm's performance, but the research results are not consistent. Jawahar and McLaughlin (2001) argue that the BOD is expected to perform different roles at different points in the firm's life cycle, meaning that BOD's

characteristics will change over time. Therefore, in order to maximize business value, it is necessary to broaden the horizons to understand that the characteristics of the BOD are multidimensional, ever-changing in nature and vary not only between companies and industries but also in the stages of the company life cycle.

Based on the research of Anthony and Ramesh (1992), Li and Zhang (2018) to classification data into three stages: growth, maturity and decline of the firm's life cycle. According to the author's knowledge, the classification of the stages of the firm's life cycle for the Vietnamese listed firms is a relatively new topic that needs to be studied to add more empirical evidence on the effects of corporate governance on firm's performance through stages of the firm's life cycle.

1.6. Research structure

The structure of the thesis consists of 5 main parts corresponding to 5 chapters: (1) Chapter 1. Overview of the research problem; (2) Chapter 2. Theoretical background and literature reviews; (3) Chapter 3. Research methods; (4) Chapter 4. Results and discussion; (5) Chapter 5. Conclusion and implications.

CHAPTER 2.

THEORETICAL FRAMEWORK AND LITERATURE REVIEWS

2.1. Overview of corporate governance

2.1.1. The concept of corporate governance

According to the OECD Principles of Corporate Governance (2004), a detailed definition is given that corporate governance is the internal measures for the administration and control of a company, related to its relationships between directorate, BOD, shareholders, and stakeholders.

2.1.2. Principles of corporate governance

This Code of Corporate Governance consists of 10 Principles, arranged on the basis of considering the relevance and priority of existing issues regarding the quality of corporate governance of Vietnamese enterprises.

2.2. Overview of the firm's performance

2.2.1. The concept of a firm's performance

Buzzell and Gale (1987) defined a firm's performance as the extent to which a firm's business objectives are achieved concerning revenue growth, sales, profitability, market share as well as the extent to which accomplish strategic goals. From this perspective, the firm performance is consistent with the profit.

2.2.2. Firm's performance measure

The indicators to measure the firm's performance from the accounting perspective are return on total assets (ROA), return on equity (ROE), net profit margin (ROS), gross profit margin... and in the market aspect include Tobin's Q or market price/book value ratio (PBV - price to book value ratio).

2.3. Theoretical of the relationship between corporate governance and firm's performance

2.3.1. Asymmetric Information Theory

Stiglitz (1974) showed that any goods have different characteristics, different qualities and designs, so it is necessary to classify and have a screening mechanism for them. Corporate governance mechanisms can prevent agency problems by increasing the effectiveness of the supervisory system, such as by increasing the number of independent directors on the BOD. These elements of the corporate governance mechanism enhance shareholders' confidence that agency issues are under control, thereby reducing the impact of asymmetric information and leading to improvements in the company's stock price on the stock market.

2.3.1. Agency theory

Agency theory assumes that people are self-interested and individualistic, so managers do not always act in the best interests of the owners. Therefore, the board structure should ensure effective supervisorily and control of management's activities and minimize agency costs.

2.3.2. Stewardship theory

Stewardship theory showed that empowering managers makes them motivated to manage the company most effectively. Therefore, when the CEO is also the chairman of the BOD, that person will be willing to work more for the company. Besides, the combination of two positions will support decision making, especially in urgent situations, and help the BOD to grasp information of the company in the fastest way.

2.3.3. Resource dependency theory

Resource dependency theory refers to the function related to the provision of resources by board members for company activities, which means that the role of the BOD member is focused on providing resources such as access to capital, approaching suppliers with lowest-cost, knowledge, skills... to support the firm's development.

2.4. Overview of the firm's life cycle

2.4.1. Firm's life cycle theory

At the beginning of the firm's life cycle theory, Penrose (1952) argued that a firm's life cycle like the biological cycle of humans and other living things evolves from its inception to its decommissioning. The firm's life cycle consists of three stages: birth, growth, and shutdown. From previous empirical studies, many researchers have assumed that companies go through a firm's life cycle, so changes and developments in organizations follow a predictable pattern (Quinn & Cameron, 1983). Inheriting and developing the firm's life cycle theory, Miller & Friesen (1983) show the difference between successful and unsuccessful businesses based on

information processing and decision making. Especially research by Miller & Friesen (1984) suggests that firms go through stages of the firm's life cycle but not necessarily in a sequential manner in the firm's life cycle.

2.4.2. Literature reviews on the firm's life cycle

Quinn & Cameron (1983) found that in that research have four general stages can be drawn, including (1) initiation stage, (2) growth stage, (3) maturity stage, and (4) decline stage.

Miller & Friesen (1984) classify the stages of the firm's life cycle as (1) growth, (2) growth/maturity, (3) maturity, (4) maturity/decline, and (5) Depression. The difference with the research of Chandler (1962), Quinn & Cameron (1983), the research of Miller & Friesen (1984) argued that organizations do not necessarily go through the stages of the firm's life cycles in the same order.

Anthony & Ramesh (1992) were one of the first authors to use financial ratios to quantify and classify the firm's life cycles. The results show that the market value of the firm is related to revenue and investment over the life of the business.

Li & Zhang (2018) inherit the life cycle classification method of Anthony & Ramesh (1992). The author classified into 3 stages of the business life cycle, including growth, maturity and decline. The result show that corporate governance change through stages of the firm's life cycle.

2.5. Literature reviews on the relationship between corporate governance and firm performance

2.5.1. Literature reviews on the relationship between ownership structure and firm performance

Blockholders are an element of corporate governance that affects the firm's performance because they are blockholders with the opportunity, resources, and ability to influence corporate management and decision-making (Roodposhti and Chashmi, 2011). The point of view of agency

theory argued that the higher BOD's ownership, the more tied their interests to the firm's performance, and as this ratio increases, the benefits of the BOD will converge with the firm's performance and interests of shareholders. Therefore, BOD ownership will have a positive effect on firm performance (Cornett et al., 2008; Jensen and Meckling, 1976). Coles et al. (2012) suggest that CEO ownership affects the value of the company in an inverted U shape because there is a trade-off between the association of interests and the effect of dissimilar interests. Therefore, using the CEO ownership ratio to increase the firm's performance is a "double-edged sword".

2.5.2. Literature reviews on board structure and firm performance

The leadership structure reflects the position and roles of the chairman of BOD and CEO, the consolidated leadership structure takes place when the chairman of BOD is concurrently CEO. The concurrency will create a CEO with absolute power and can lead to ineffective oversight of the management team (Adams et al., 2005; Bhagat & Bolton, 2019; Cadbury & Cadbury, 2002; Gul & Leung, 2004; Rechner & Dalton, 1990). In contrast, the leadership structure of the chairman and the CEO is assumed by two different people mentioned in the agency theory (Dalton et al., 1998) that the role of the BOD is to supervise the management team to protect the interests of shareholders (Fama and Jensen, 1983b). In addition, agency theory holds that an effective board that should include a majority of independent BOD members will produce superior performance because the independence of the BOD members will effectively monitor the management team's activities (Dalton et al., 1998). In additionally, resource dependence theory argued that an increase in the number of BOD members will help increase the connection with external resources as well as by taking advantage of the capacity, knowledge, and experience of BOD members to advise and supervision effectively behavior of management teams (Coles et al., 2008). However, Lipton & Lorsch (1992) argue that the BOD with a small scale

will operate more effectively than a large scale due to advantages in communication, supervision, and reduced decision-making time.

2.6. Literature reviews on corporate governance, firm's performance, and firm's life cycle

2.6.1. Literature reviews on corporate governance and firm's life cycle

Jawahar & McLaughlin (2001) argue that in the start-up stage, a company that can be a family firm with a high ownership concentration will help improve decision-making efficiency and business flexibility. In addition, the increase of BOD members will provide the resources and expertise to drive and support the firm's growth. Whereas the mature stage companies usually have strong cash flow and can raise additional capital easily so these companies will mainly have agency problems rather than replenishment of resources, so companies in this period mainly increased control over the activities of management. During the decline stage of the firm's life cycle, the firm need for monitoring, strategy, and resources increase when the firm tries to innovate or continue in the same direction as before. In this stage, companies have negative growth and inertia managers and owners may be inclined to protect their interests, so what the firm needs is to prevent agency problems between management and shareholders to maintain stability in the firm.

O'Connor & Byrne (2015a) argued that a flexible corporate governance model will help companies operate more efficiently. In the same opinion, Habib et al. (2018) showed that companies in the start-up, restructuring, and decline stages of the firm's life cycle use more independent BOD members, when compared with the maturity stage which means BOD of Australia's firm is in the maturity stage have roles mostly supervisory while roles of advisory not clear.

Y. Li & Zhang (2018) argued that the size of BOD in China tends to gradually decrease with the firm's life cycle, the duality of CEO also tends

to decrease, while the independence of BOD is almost unchanged. In addition, the research results also showed that the size and independence of BOD are determined by the benefits of the advisory role through all stages of the firm's life cycle. Meanwhile, the CEO duality is determined by the benefits and costs of separating these two roles. Small companies in China have benefits when chairman BOD is concurrently CEO. Moreover, they showed that BOD's structure is adjusted through the stages of the firm's life cycle based on the resources in by the new BOD.

2.6.2. Literature reviews on corporate governance, firm's performance, and firm's lifecycle stages

Liang et al. (2011) examined the sensitivity of ownership structure to firm performance can vary between firms but is also likely to change across stages of the firm's life cycle. The results showed that institutional ownership has a negative and significant impact on Taiwan's listed firm's performance during the maturity stage of the firm's life cycle. In the same opinion, Sridharan & Joshi (2018) have found that a company with an ownership concentration higher makes higher performance through all lifecycle stages. In addition, Shyu & Chen (2009) found that BOD ownership represents a positive relationship with firm performance during growth and maturity stage of firm's life cycle. Meanwhile, Liao et al (2014) showed a nonlinear relationship between BOD ownership, manager ownership and firm performance in the growth and maturity stages of the firm's life cycle.

O'Connor & Byrne (2015b) found that in immature firms, there are differences in resources and strategic that bring high value to the company. And they do not found effective monitoring for mature companies. In additional, Harjoto & Jo (2009) argued that the chairman's duality as CEO has a positive impact on the firm's performance and value in the early stages. However, when the firms move to the next stages, this relationship has a negative. Furthermore, Wahba & Elsayed (2014) argued that board size had

a negative effect on firm performance in the start-up stage, but it had a positive effect in the growth, maturity and restructuring stages of the firm's life cycle. In addition, Amin et al (2021) argued that the combination of many practice corporate governance in various ways can achieve high firm's performance depending on the stages of the firm's life cycle.

2.7. Research gap

Based on literature reviews, the relationship between corporate governance and a firm's performance in each specific stage of the firm's life cycle are very limited or incomplete. Therefore, the thesis identifies the research gap:

First, the previous paper either supports the agency theory or support the stewardship theory. However, the combination and complementarity between agency theory and stewardship theory to explain corporate governance issues through stages of the firm's life cycle is a gap that needs to be studied.

Second, resource dependency theory argued that BOD members will be the source of the necessary resources for the firm's operational needs. However, previous papers have not mentioned issues related to resource dependence theory in each stage of enterprise development. Especially, this is a gap that previous papers in Vietnam have not yet fully exploited.

Third, research on corporate governance and firm's performance through stages of the firm's life cycle is a relatively new direction with many gaps to be exploited, especially for companies in Vietnam.

CHAPTER 3. RESEARCH METHODS

3.1. Research hypothesis

3.1.1. Corporate governance through the stages of the firm's life cycle

Hypothesis H1a: the largest blockholder ownership ratio tends to decrease over the stages of the firm's life cycle.

Hypothesis H1b: The BOD's ownership ratio tends to decrease over the stages of the firm's life cycle.

Hypothesis H1c: The CEO's ownership ratio tends to decrease over the stages of the firm's life cycle.

Hypothesis H2a: The size of BOD tends to decrease over the stages of the firm's life cycle.

Hypothesis H2b: The independence of BOD tends to decrease over the stages of the firm's life cycle.

Hypothesis H2c: The CEO's duality tends to decrease over the stages of the firm's life cycle.

3.1.2. The effect of corporate governance on firm performance through stages of the firm's life cycle

Hypothesis H3a. The largest blockholder ownership ratio positively affects firm performance during the growth stage of the firm's life cycle.

Hypothesis H3b. The largest blockholder ownership ratio negatively affects firm performance during the maturity stage of the firm's life cycle.

Hypothesis H3b. The largest blockholder ownership ratio positively affects firm performance during the decline stage of the firm's life cycle.

Hypothesis H4a: BOD's ownership ratio positively affects firm performance during the growth stage of the firm's life cycle.

Hypothesis H4b: BOD's ownership ratio negatively affects firm performance during the maturity stage of the firm's life cycle.

Hypothesis H4c: BOD's ownership ratio negatively affects firm performance during the decline stage of the firm's life cycle.

Hypothesis H5a: The CEO's ownership ratio has a nonlinear relationship with the firm's performance during the growth stage of the firm's life cycle.

Hypothesis H5b: The CEO's ownership ratio has a nonlinear relationship with the firm's performance during the maturity stage of the firm's life cycle.

Hypothesis H5c: The CEO's ownership ratio have a nonlinear relationship with the firm's performance during the decline stage of the firm's life cycle.

Hypothesis H6a: The size of BOD positively affects firm performance during the growth stage of the firm's life cycle.

Hypothesis H6b: The size of BOD negatively affects firm performance during the maturity stage of the firm's life cycle.

Hypothesis H6c: The size of BOD negatively affects firm performance during the decline stage of the firm's life cycle.

Hypothesis H7a: The independence of BOD positively affects firm performance during the growth stage of the firm's life cycle.

Hypothesis H7b: The independence of BOD positively affects firm performance during the maturity stage of the firm's life cycle.

Hypothesis H7c: The independence of BOD positively affects firm performance during the decline stage of the firm's life cycle.

Hypothesis H8a: The CEO's duality negatively affects firm performance during the growth stage of the firm's life cycle.

Hypothesis H8b: The CEO's duality negatively affects firm performance during the maturity stage of the firm's life cycle.

Hypothesis H8c: The CEO's duality negatively affects firm performance during the decline stage of the firm's life cycle.

3.2. Research models

To examine the change of corporate governance through stages of the firm's life cycle, the models are built as follows:

$$\text{Block}_{i,t} = \gamma_0 + \gamma_1 \text{LC}_{i,t} + \gamma_2 \text{Controls}_{i,t} + \varepsilon_{i,t} \quad (1a)$$

$$\text{Block}_{i,t} = \gamma_0 + \gamma_1 \text{Mature}_{i,t} + \gamma_2 \text{Decline}_{i,t} + \gamma_3 \text{Controls}_{i,t} + \varepsilon_{i,t} \quad (1b)$$

$$\text{Own_Board}_{i,t} = \gamma_0 + \gamma_1 \text{LC}_{i,t} + \gamma_2 \text{Controls}_{i,t} + \varepsilon_{i,t} \quad (2a)$$

$$\text{Own_Board}_{i,t} = \gamma_0 + \gamma_1 \text{Mature}_{i,t} + \gamma_2 \text{Decline}_{i,t} + \gamma_3 \text{Controls}_{i,t} + \varepsilon_{i,t} \quad (2b)$$

$$\text{CEO_Share}_{i,t} = \gamma_0 + \gamma_1 \text{LC}_{i,t} + \gamma_2 \text{Controls}_{i,t} + \varepsilon_{i,t} \quad (3c)$$

$$\text{CEO_Share}_{i,t} = \gamma_0 + \gamma_1 \text{Mature}_{i,t} + \gamma_2 \text{Decline}_{i,t} + \gamma_3 \text{Controls}_{i,t} + \varepsilon_{i,t} \quad (3b)$$

$$\text{BSize}_{i,t} = \gamma_0 + \gamma_1 \text{LC}_{i,t} + \gamma_2 \text{Controls}_{i,t} + \varepsilon_{i,t} \quad (4a)$$

$$\text{BSize}_{i,t} = \gamma_0 + \gamma_1 \text{Mature}_{i,t} + \gamma_2 \text{Decline}_{i,t} + \gamma_3 \text{Controls}_{i,t} + \varepsilon_{i,t} \quad (4b)$$

$$\text{Indep}_{i,t} = \gamma_0 + \gamma_1 \text{LC}_{i,t} + \gamma_2 \text{Controls}_{i,t} + \varepsilon_{i,t} \quad (5a)$$

$$\text{Indep}_{i,t} = \gamma_0 + \gamma_1 \text{Mature}_{i,t} + \gamma_2 \text{Decline}_{i,t} + \gamma_3 \text{Controls}_{i,t} + \varepsilon_{i,t} \quad (5b)$$

$$\text{Dual}_{i,t} = \gamma_0 + \gamma_1 \text{LC}_{i,t} + \gamma_2 \text{Controls}_{i,t} + \varepsilon_{i,t} \quad (6a)$$

$$\text{Dual}_{i,t} = \gamma_0 + \gamma_1 \text{Mature}_{i,t} + \gamma_2 \text{Decline}_{i,t} + \gamma_3 \text{Controls}_{i,t} + \varepsilon_{i,t} \quad (6b)$$

To examine the effect of corporate governance on firm performance through stages of the firm's life cycle, the thesis builds a research model as follows:

$$\text{ROA}_{i,t} = \beta_0 + \beta_1 \text{ROA}_{i,t-1} + \beta_2 \text{BSize}_{i,t} + \beta_3 \text{Indep}_{i,t} + \beta_4 \text{Dual}_{i,t} + \beta_5 \text{Block}_{i,t} + \beta_6 \text{Own_Board}_{i,t} + \beta_7 \text{CEO_Share}_{i,t} + \beta_8 \text{Controls}_{i,t} + \varepsilon_{i,t} \quad (7a)$$

$$\text{TobinQ}_{i,t} = \beta_0 + \beta_1 \text{TobinQ}_{i,t-1} + \beta_2 \text{BSize}_{i,t} + \beta_3 \text{Indep}_{i,t} + \beta_4 \text{Dual}_{i,t} + \beta_5 \text{Block}_{i,t} + \beta_6 \text{Own_Board}_{i,t} + \beta_7 \text{CEO_Share}_{i,t} + \beta_8 \text{Controls}_{i,t} + \varepsilon_{i,t} \quad (7b)$$

$$\text{ROA}_{i,t} = \beta_0 + \beta_1 \text{ROA}_{i,t-1} + \beta_2 \text{BSize}_{i,t} + \beta_3 \text{Indep}_{i,t} + \beta_4 \text{Dual}_{i,t} + \beta_5 \text{Block}_{i,t} + \beta_6 \text{Own_Board}_{i,t} + \beta_7 \text{CEO_Share}_{i,t} + \beta_8 \text{CEO_Share2}_{i,t} + \beta_9 \text{Controls}_{i,t} + \varepsilon_{i,t} \quad (8a)$$

$$\text{TobinQ}_{i,t} = \beta_0 + \beta_1 \text{TobinQ}_{i,t-1} + \beta_2 \text{BSize}_{i,t} + \beta_3 \text{Indep}_{i,t} + \beta_4 \text{Dual}_{i,t} + \beta_5 \text{Block}_{i,t} + \beta_6 \text{Own_Board}_{i,t} + \beta_7 \text{CEO_Share}_{i,t} + \beta_8 \text{CEO_Share2}_{i,t} + \beta_9 \text{Controls}_{i,t} + \varepsilon_{i,t} \quad (8b)$$

CHAPTER 4. RESULTS AND DISCUSSION

4.1. The change of corporate governance through stages of the firm's life cycle

The blockholder ownership ratio tends to increase through the stages of the firm's life cycle which reflects Vietnam's firms have a highly concentrated ownership structure and are often concentrated in one or more groups of blockholders. Moreover, Vietnam with a weak protection mechanism for minority shareholders so these blockholders can increase ownership ratio, and take control to maximize its benefits also means

maximizing company and shareholder benefits. At the same time, the BOD's ownership ratio, CEO's ownership, the size of BOD, the independence of BOD, and the CEO's duality tends to decrease during the firm's life cycle. This result reflects that the BOD structure of Vietnam's listed firms changes mainly because the firm's resource needs are obtained from the members of BOD while the supervisory role of BOD members is less taken into account.

4.2. The effect of corporate governance on firm performance through stage of the firm's life cycle

4.2.1. Results and discussion

From the results of the correlation coefficient, the VIF test showed that there is no multicollinearity between the explanatory variables in the models. At the same time, the endogenous tests, Hansen, AR2 show that the regression model is appropriate. The results showed that:

Table 4.1. Summary table results compared with expected sign

	Hypothesis			Results		
	Growth	Maturity	Decline	Growth	Maturity	Decline
Block	+	-	+	+	+	+
Own_Board	+	-	-	+	K	-
CEO_Share	+/-	+/-	+/-	+/-	+/-	K
Bsize	+	-	-	+	+	K
Indep	+	+	+	K	-	K
Dual	-	-	-	+	-	-

Source: Author's summary

Regression results showed that there is an effect of corporate governance on firm performance through stages of the firm's life cycle. The specific results:

The blockholder ownership ratio positively affects on firm's performance in the growth, maturity, and decline stages of the firm's life cycle. The reason

is that in Vietnam, the firms during the growth stage have a highly concentrated ownership structure and the ownership ratio held by the biggest lockholders is also quite large (outperforming the remaining shareholders). Therefore, agency theory argued that the highly concentrated ownership will encourage them to play an active and direct role in shaping corporate policies and business decisions thus reducing agency costs increase firm performance.

The BOD's ownership (Own_Board) positively affects firm performance during the growth stage of the firm's life cycle. Most firms during the growth stage are managed or controlled by the founder or family members. Even, they are BOD's members so the maximizations of benefits for the company is also maximized benefit themselves. However, during the decline stage, BOD's ownership ratio negatively affects the firm's performance which means when BOD's ownership increases, they will be given sufficient power to pursue its own goals to maximize benefits themselves at the expense of minority shareholders and negatively influence to firm's performance.

The relationship between the CEO's ownership (CEO_Share) and firm performance showed that there is a nonlinear relationship (inverted U) during the growth and maturity stages of the firm's life cycle. The results are explained by the convergence of the interesting hypothesis and the entrenchment hypothesis. However, results showed that the difference between the thresholds for reversing the impact of the CEO's ownership ratio on firm's performance during the growth stage (34.69%) and the maturity stage (20, 04%) is different. Therefore, the results indicate that the negative effects will appear early in the maturity stage of the firm's life cycle.

The size of BOD (BSize) positively impacts firm performance during the growth and maturity stages of the firm's life cycle. The results support resource dependence theory when the increasing of BOD's members will help increase the connection with external resources, as well as by taking

advantage of the capacity, knowledge, and experience of the BOD's members. Moreover, Vietnam is a country that has traditionally been a relationship-based society, where economic transactions have relied almost exclusively on long-term informal relationships. Therefore, connecting networks to provide resources for the company's growth is important, especially in the context of growth companies that need to access resources to expand their business. In the mature stage, accessing resources to expand production and business activities is not a top priority. However, with the use of technology in production and business being relatively outdated, management experience is not much so the access to external resources through the BOD's members will help businesses improve technology, learn more experience as well as professional management skills will be improved.

The BOD's independence negatively impacts firm performance during the maturity stage of the firm's life cycle. Causing possibly in Vietnam, where there is a weak institutional environment and corporate governance system (Nguyen and Nguyen, 2016). At the same time, BOD's independent members do not care about their duties but tend to want to please other members of BOD and the management. Thereby showing that BOD's independent members may be only interested in personal interests instead of protecting the interests of shareholders. In addition, BOD's independent members are not interested (or vaguely) in their role so the supervisory function will not be effectively implemented and not control management's behavior.

The CEO's duality positively impacts firm performance during the growth stage of the firm's life cycle which it is explained that the firms during the growth stage have CEO's duality that will help to converge the business development strategy with the CEO's daily operating decisions thus increasing the firm performance. However, the CEO's duality negatively impacts the firm performance during the maturity and decline stages of the firm's life cycle. That means when the chairman of BOD is also the CEO that

will create a CEO who has absolute power and can lead to the function of BOD's supervision became ineffectively to activities of the management team so CEO's duality negatively affects firm performance. Nguyen & Nguyen (2016) argued that CEO duality is common in Vietnam so the firms in the maturity stage and the decline stage have CEO duality is "abuse of power" is easy so reduces firm performance.

4.2.2. Robustness test

To strengthen the persuasiveness of the results, the thesis examines the main findings of this section through a robustness test. The thesis uses the ROE variable as a proxy for the firm's performance and conducts a regression to test the effects of corporate governance on the firm's performance through stages of the firm's life cycle. After performing the regression with ROE, it shows that the main results of the model remain unchanged so it can be concluded that the results of the thesis are not too sensitive to the adjustments in variable selection problem proxy the firm's performance.

CHAPTER 5. CONCLUSION AND POLICY IMPLICATION

5.1. Conclusion

The results of this thesis are very important because they provide the first evidence about the effect of corporate governance on firm performance through the stages of the firm's life cycle. The results showed that stewardship theory not only does not contradicts agency theory but also these two theories complement each other to further clarify the effects of corporate governance on firm's performance depending on each development stage of Vietnam's firms. In addition, the thesis based on resource dependence theory showed that each stage of the firm's life cycle will provide different resources depending on the context that each business is facing. The result specific:

- The largest blockholder ownership ratio positively impacts a firm's performance in the growth, maturity, and decline stages of the firm's life cycle.

- BOD's ownership ratio positively affects a firm's performance during the growth stage of the firm's life cycle.

- The relationship between the CEO's ownership ratio and the firm's performance showed that there exists a nonlinear (inverted U) during the growth and the maturity stages of the firm's life cycle.

- The size of BOD positively impacts a firm's performance during the growth and maturity stages of the firm's life cycle.

- The BOD's independence negatively impacts a firm's performance during the maturity stage of the firm's life cycle.

- The CEO's duality positively impacts a firm's performance during the growth stage of the firm's life cycle.

5.2. Policy implications

Based on the results, the thesis also proposes several related solutions, mechanisms, and policies to further contribute to the construction of a more appropriate and effective corporate governance structure for Vietnam's firms as follows:

First, build a concentration ownership structure commensurate with the stages of the firm's life cycle.

According to statistics, more than 30% of the total 415 firms have the largest blockholders owning 51% or more, this is the level of ownership that helps blockholders take control of the company. In Vietnam, the largest blockholders are usually state-owned or family-owned so they have great influence in the appointment of BOD's members, CEO, and even if they are directly involved in the management and operation of the business, thus they tend to maximize the value of the company because the company is their asset. Therefore, maintaining a concentration ownership structure for companies through stages of the firm's life cycle will help the company be operation efficiently, consistently and reduce costs arising from conflicts internal. Moreover, the difference of impact of the largest blockholder

ownership ratio on firm performance in different stages of the firm's life cycle thus concentration ownership needs to be harmonized with regulations on public corporate governance in each stage of the firm's life cycle to promote the positives and efficient of management and administration team. In addition, increasing the foreign ownership ratio in Vietnam's firms will help the firms overcome limitations in terms of scientific, technical, and technological qualifications thereby helping to improve operational capacity, and increase the firm's performance because foreign investors have knowledge and experience in the financial market and corporate governance.

Second, diversifying the BOD aims to diversify resources for the company and limit the phenomenon of "abuse of power" by the BOD to damage the interests of the company and shareholders.

Diversity of the BOD is important because it allows the company to take advantage of the plurality of points of view makes for richer and more reliable decision-making. In addition, diversification of BOD needs to take into account the representatives of the owners, which means that BOD's members represent shareholders, not blockholders. They will help the BOD to effectively monitor the behavior of managers and limit the abuse of power of the BOD. Therefore, state management agencies need to complete relevant legal provisions to ensure the interests of shareholders and strict law enforcement. competent state agencies are necessary to strengthen the inspection, supervision, and management, especially the roles of the State Securities Commission of Vietnam in information disclosure activities and transactions of joint-stock companies on the stock market. At the same time, the law must also have strict sanctions for violations of shareholders' rights to create a deterrent, and shareholders themselves must be conscious of protecting their rights, they must know how to link together to effectively monitor the behavior of the BOD and improve their legal understanding.

Third, develop an ESOP program for managers, in parallel with controlling the privileges of this group of people.

The results showed that the existence of the effect of "convergence of interests" in the firms during the growth stage when the CEO's ownership ratio does not exceed 34.69% and 20.04% during the maturity stage of the firm's life cycle the CEO's ownership ratio positively impacts the firm's performance. Therefore, developing the ESOP program in joint-stock companies in Vietnam, contributing to aligning the CEO's interests with the firm's performance is one of the effective measures to retain good employees and enhance the responsibility of the CEO when he is a shareholder of the company. Besides the effect of "convergence of interests", the results show that the existence of the effect of "entrenchment" which determines the CEO's ownership rate exceeds 34.69% during the growth stage and 20.04% during the maturity stage of the firm's life cycle. Therefore, the results also give warning signs of moral hazard if the CEO's privileges are not strictly controlled in a joint-stock company.

Fourth, keeping the size of BOD large enough would be a possible solution to the agency problems in Vietnam's firms.

The results showed that the size of BOD positively impacts firm performance during the growth and maturity stages of the firm's life cycle. This means that a sufficiently large BOD tends diversity in the BOD consisting of representatives of shareholders and stakeholders who can counterbalance controlling shareholders and even effectively control activities of the Chairman of BOD, CEO for the best interests of the company. However, the selection of members of BOD must be through a rigorous process with clear and specific criteria to meet the requirements of the job and to avoid the case of a "free-rider" problem affecting the BOD's operational effectiveness as well as firm's performance.

Fifth, develop a process to nominate and vote to select independent members of the BOD transparently, with clear criteria to choose the right person for the right job.

The results argued that Vietnam's firms not only meet the regulations on independent members of BOD but also must pay attention to the effectiveness and benefits of the independent member of the BOD mechanism. If only to deal with the law, the efficiency will not be high, there are even risks for businesses. For example, selecting unqualified or not reputable people to the BOD easily leads to incorrect decisions of BOD thus it will directly affect the strategy, firm performance, and cause damage to shareholders. Therefore, to have a basis to clearly define the position and role of independent members of the BOD, improve the responsibility and performance of independent members of the BOD, there should be clear regulations about qualified and the appointed independent members of the BOD must be experts who have undergone the practical experience, and select people suitable to the development goals of the firms.

Sixth, separation of ownership and management will increase firm performance during the maturity and decline stage of the firm's life cycle.

According to OECD recommendations, the chairman and CEO should be separate individuals to ensure an appropriate balance of power, increase accountability, and strengthen the capacity of the board to make independent decisions. In case the roles of Chairman and CEO are combined, it is necessary to appoint the leader of the group "independent member of BOD" to be in charge of independent members of BOD, the leader of the group "independent member of the BOD" should have sufficient authority to lead in cases where the remaining members of the BOD have conflicts of interest. However, companies should separate the positions of the chairman of the BOD and the CEO and this separation will solve the question of who will be

responsible for the company's operations, whereby the Chairman of the Board of Directors will represent the members of the BOD supervise and control the behavior of management team and protect the interests of shareholders, while the roles of CEO's is managing the operation of the firms.

5.3. Limitations and directions for future research

The thesis' limitation has only stopped at listed non-financial firms but has not mentioned listed financial firms. In addition, the thesis has not been expanded to consider the specific characteristics of the CEO and members of the BOD yet. At the same time, the thesis also has not investigated the professional qualifications, concentration levels for work, and position of each member in the BOD, CEO, and the supervisory board. In addition, the thesis has not considered macro factors such as interest rates, inflation, and shocks affecting firm performance. Therefore, this is also an extended research future direction for the studies about the effect of corporate governance on firm performance through stages of the firm's life cycle.