

OWNERSHIP STRUCTURE, BOARD CHARACTERISTICS AND FIRM PERFORMANCE IN VIETNAM

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In recent years, corporate governance has received increasing attention as the number of scandals involving manipulation of corporate power have apparently been the causes value destruction. Good corporate governance would contribute to the sustainable development of the economy through the efficient allocation of capital to value enhancing enterprises. Better corporate governance is therefore expected to lead to better corporate performance and impede the expropriation of benefits of controlling shareholders from minority shareholders.

Ownership structure is crucial to corporate governance as it explains sources of agency conflicts. Roles and impacts of different corporate owners on corporate performance and governance have been studied worldwide, except for the role and impact of state-owned holding company (SOHC). This study examines the role of SOHC in the management and governance of listed companies with state capital in Vietnam, in comparisons with other owners in general government linked companies (GLCs) and non-government linked companies (non-GLCs).

SOHC is a new model and has not been proved to be effective in various countries. In emerging countries with weak regulatory environment like, very limited study on the role SOHC has been done. Although it is seen that SOHC is an effective model in countries like Singapore, Vietnam could be a different case. The effectiveness of SOHC model in Vietnam is a research gap that needs to examine.

The direct relationship between ownership structure and firm performance has been examined and demonstrated in many studies. However, in recent years, indirect relationship between ownership structure and firm performance has increasingly been examined. Ownership structure has important role in corporate strategies and in turn, influence corporate performance. This study aims at studying the impact of different corporate owners on firm performance, with special focus on the State-own-holding company role.

Corporate policies in cash holdings has various implications, among which governance implication is the main focus of this study. As cash is a neutral asset, the study of shareholder value of cash holding could contribute an unbiased evidence for good corporate governance. Therefore, the next test in this study is to examine the role of SOHC in corporate governance of firms using cash holding policies and its impact on shareholder values.

Applying quantitative analysis method on a panel data set of listed companies in Vietnam during 2009-2013, this study finds that SOHCs have positive impacts on firm performance. This evidence is a contribution to both theory and practice in corporate governance research in

Vietnam. Similar to the results found in Singapore with Temasek model, the result in this study demonstrates that SOHC is a marginal model that helps to mitigate the problems of SOEs governance, such as multiple conflicting objectives, political intervention, and a lower degree of transparency. SOHC is an investment company that is established and represents the ownership of the government in companies, SOHC is a model in which government does not directly manage the enterprises as in other State-owned corporate models. In Vietnam, SCIC is SOHC representing the state capital interests in enterprises to become a strategic investor of the government that is capable of generating maximum value and sustainable returns on investments. The interaction analysis revealed that the more dominant the SCIC Ownership, the greater its impact on a company's performance improvement. As Vietnam is a premature capital market economy with developing corporate governance framework, the evidence of effectiveness of SOHC in Vietnam would contribute to the understanding of role of SOHC model in a weak corporate governance environment.

In addition, the finding that SCIC ownership and foreign ownership have positive relationships with shareholder value of cash holdings supports arguments that firms with good governance will hold cash for investments opportunities and avoid financial constraints and these policies do add values to firm shareholders. Specifically, SCIC ownership and foreign ownership, significantly increase the value of cash holdings: the coefficient on the interaction variable between excess cash and these types of ownership are consistently positive and significant. The result indicates that the value of excess cash is statistically and economically significantly greater if the firm is managed by SCIC or foreign investors. It demonstrates that good governance companies not only hold more cash but also this excess cash has greater value. Government ownership, on the other hand, is found to have negative relationship with market value on interaction with excess cash.

This study found that state ownership has positive correlation with firm performance. This result is contradicted with other results in which state ownership is often linked to low efficiency and low firm performance. This is a result of a variety of special privileges granted to SOEs. SOEs are still receiving subsidies policies from the government and enjoy competitive advantages over private entities.

This study, further, found the relationships between Family Ownership, Foreign Ownership and firm performance which is an effective reference to policy makers, investors and relevant stakeholders to figure an enthusiastic corporate governance for Vietnam. Therefore, regulators could make policy adjustments on corporate governance regulations to be compatible with Vietnam's conditions as well as international practices. It also helps managers make adjustments, improvements in corporate governance at company level in order to achieve better firm performances. The study also helps the investors and other stakeholders understand better the problems of corporate governance in Vietnam. Therefore, it can help them in making decisions in investments, choosing board directors, or making corporate governance policy.

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