Corporate Entrepreneurship, Ownership and Governance in Post-Privatisation Vietnam

A Thesis Submitted to The University of Manchester for the Degree of Doctor of Philosophy (PhD) in the Faculty of Humanities

2015

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Abstract

Corporate entrepreneurship, Ownership and Governance in Post-privatisation Vietnam

A thesis submitted for the degree of Doctor of Philosophy (PhD)

by Thi My Huong Nguyen

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The University of Manchester

This dissertation investigates the following questions. How does the structure of ownership, board governance, and board monitoring influence the corporate entrepreneurship (CE) behaviour of privatised firms in Vietnam? Furthermore, does uncertainty regarding the changing business and institutional environment moderate the relationships among corporate governance, ownership structure, and CE?

In the dissertation, Stewardship Theory, Institutional Theory, Resource Dependence Theory, are integrated with Agency Theory to provide a framework to investigate the relationships between board composition, ownership structure and CE in post-privatisation environments. The theoretical arguments are tested using a mixed-method approach, based on a survey of privatised Vietnamese firms and data collected and collated from in-depth interviews of board and top management team members in six selected privatised firms. The study findings indicate that a reliance on any single theoretical lens is ineffective in explaining the phenomenon in the context of privatised firms in transition economies, and that the employment of multiple theories is crucial for providing a complete understanding of context-dependent phenomena, such as corporate governance. Empirically, the results show that the board composition and characteristics have little impact on CE and ownership structure almost plays no role in enhancing the entrepreneurial activities of privatised firms. In particular, the study highlights that there are no unique corporate governance practices that can be employed in every context. The practices are effective only in certain conditions and specific environments. The study provides a set of policy and managerial implications for shaping corporate governance in order to foster CE in Vietnamese privatised firms.
Declaration

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To Minh, my beloved husband, and my forever loves, Sony and Bella!
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About the Author

Huong Nguyen finished her BA studies in Business Administration in 2000 at the University of Danang, Vietnam. She was awarded an MBA in International Business at Asian Institute of Technology (Thailand) and MSc in International Management at Skema Business School (France). Her courses at Skema focused on financial markets and investments.

Since 2002, Huong has worked as a lecturer in the Dpt. of Business Administration of Danang University of Economics. She offered courses on financial management and Entrepreneurship for fourth-year students until she left to study for a PhD. Since 2007, she has held a position as deputy director of the Department of Research, Post-graduate and International Cooperation. During this time, she served as a senior administrator in the Center of International Education of her university. She was a Member of Parliament in the National Assembly of Vietnam from 2007 to 2011 and served on the Committee of Foreign Affairs of the Assembly. She has been involved in real-life business as a co-founder in 2007 of HRpro Vietnam, a provider of human resource consulting services in Central Vietnam. In 2011, with the sponsorship by Vietnamese government, she joined a doctoral program in Business and Management at the Manchester Institute of Innovation Research. During her study at Manchester Business School she was invited by Professor Edward Feser to be a visiting scholar at REAL (Regional Economics Applied Laboratory), the University of Illinois at Urbana Champaign. She also received Eu-SPRI Forum PhD Circulation Award to visit and work at Department of International Economics and Management, Copenhagen Business School.
Chapter 1: Introduction
I.1. Introduction

Corporate entrepreneurship—“a process of organisational renewal that has two distinct but related dimensions: innovation and venturing, and strategic renewal” (Zahra, 1993a, p. 321)—is an important route toward achieving competitive advantage (Dess and Lumpkin, 2005, Duane Ireland and Webb, 2007). It is the subject of an already substantial body of research that continues to expand rapidly.

One robust area of inquiry investigates how corporate governance mechanisms and the structure of ownership stimulate or hamper CE. Such research is important because governance and ownership are more readily shaped by purposeful corporate strategy and public policy—for good or ill—than many other potential influences on entrepreneurial behaviour. Notwithstanding, nearly all existing scholarship on governance, ownership and entrepreneurship focuses on the highly developed economy context. Very little exists for economies in other stages of development. This gap in the extant research is especially problematic for transitioning economies where both the need and motivation to foster entrepreneurship is strong.

As many other transition economies, Vietnam has experienced a period of rapid change and development in which government modified business institutional arrangements significantly, subsequently leading to dramatic economic growth. Vietnam reformed the system of state owned enterprises (SOEs) and implemented privatisation schemes, in the process creating a diverse range of corporate governance mechanisms and ownership structures. That makes Vietnam an excellent research setting for scholarly investigation of the influence of corporate governance and ownership structures on CE. Moreover, Vietnamese policy makers continue to devise laws, regulations, policies and programs to encourage innovation and growth. Thus, more knowledge about the drivers of CE in Vietnam’s dynamic economic setting has a ready audience among decision makers.

Section 1.2 sets the stage for this study of CE in Vietnam; Section 1.3 lays out objectives and research questions; and Section 1.4 briefly outlines the structure of the thesis.

I.2. Research Background

CE is widely understood as embodying three main types of activities: innovation, venturing and renewal (Guth and Ginsberg, 1990, Zahra, 1996a, Sharma and Chrisman, 1999). Innovation is the introduction of new products and organizational processes and venturing is the creation of new businesses (Covin and Slevin, 1991, Lumpkin and Dess, 1996). Strategic renewal refers to “the transformation of organisations through renewal of the key ideas on which they are built” (Sharma and Chrisman, 1999, p. 5).
CE has been found to be one important explanation for variations in firm performance (Zahra and Hayton, 2008). Entrepreneurship activities enhance a firm’s competitive advantage and promote growth (Burgelman, 1983, Hayton and Kelley, 2006). CE is considered especially important for transition economies, given the rapid rate of institutional change in such contexts. In these economies, CE is considered to be a resource capital configuration mechanism (Yiu and Lau, 2008). All three entrepreneurial activities are critical for firms to transform and become competitive in the global marketplace (Yiu et al., 2007).

As CE activities always involve ideas and initiatives that are new and unproven (Dess and Lumpkin, 2005), pursuing them entails a high degree of risk and uncertainty (Shimizu, 2012). Ownership rights are important because they enable entrepreneurs to make decisions on where to allocate resources to achieve given levels of return, while also requiring the entrepreneur to bear the risks related to their decisions (Hawley Jr, 1927). Arguably, the proportion of shareholding of each type of investor will affect CE, to a certain extent (Connelly et al., 2010). Hypothetically, boards of directors play an important role in sustaining CE (Zahra, 1996a, Zahra et al., 2000b, Zahra et al., 2009). Other prior researchers argue that have highlighted the role top management plays an important role in corporate entrepreneurial activities (Dess et al., 2003, Hornsby et al., 2009, Kelley et al., 2009, Shimizu, 2012). Overall, the level and type of entrepreneurial activity a firm adopts depends on its ownership and governance structures. As Phan et al. (2009, p. 203) put it, a company’s competitive advantage is hardly achieved if it does not maintain corporate governance mechanisms that incentivize management to gather resources and pursue opportunities. Yet the precise ways in which governance shapes CE has drawn little scholarly attention. Phan et al. (2009, p. 203) claim that “It is surprising that research on the structures and routines necessary for CE has generally neglected the role of corporate governance.” There is a need for more research on how ownership structure and board composition are shaped to promote CE (Zahra et al., 2009, Phan et al., 2009).

Some studies have examined the relationships between corporate governance and CE, with most finding that corporate governance has a significant influence (Zahra, 1996a, Zahra et al., 2000b). However, corporate governance effectiveness varies depending on national institutions specific to individual countries (Aguilera et al., 2008, Filatotchev et al., 2013) and particular organizational contexts (Ramdani and Witteloostuijn, 2010). Much has been done in developed economies but little research has been conducted in less developed economies. Recently, Zahra et al. (2014) contended that, whereas ownership structure is different between developed and emerging economies, with differences in agency conflicts being apparent, there have been few studies with explicit implications regarding the effects of ownership structure on entrepreneurial activities. The authors claim that too little is known about how boards with different objectives take and measure risks, and invest in entrepreneurship projects.
Chapter 1: Introduction

This study looks at the links between corporate governance mechanisms and CE in the context of a transition economy. Privatisation has been instituted throughout transition economies in recent decades, which has led to radical changes to firm ownership and corporate governance, leading to diverse outcomes (Zahra et al., 2000a, Uhlenbruck and Castro, 1998, Newman, 2000). In these countries, external corporate governance mechanisms are often under-developed, so that internal governance becomes the main mechanism for monitoring and controlling management. In particular, in transition economies undergoing gradual privatisation and embedding unique historical and cultural contexts, such as China and Vietnam, corporate governance embodies several characteristics that may lead to organisational outcomes that may be significantly different from those in developed economies. For instance, in these countries, the state as an investor is still significantly present in privatised firms (Le and O’Brien, 2010); the board of directors is dominated by insiders; and the structure of ownership is highly concentrated.

To undertake such a study requires a theoretical frame. Previous researchers have mainly relied on Agency Theory to characterize the relationship between corporate governance and corporate outcomes. Agency Theory posits an independent board, a separated board leadership structure, and concentrated ownership as governance mechanisms that reduce costs arising from conflicts of interest between shareholders and agents. However, recent researchers have argued Agency Theory fails to account for the diversity in the linkages between governance and organisational outcomes (Hoskisson et al., 2000). These researchers call for the integration of several theories—Stewardship Theory (Anderson et al., 2007), Resource Dependence Theory (Hillman and Dalziel, 2003, Lynall et al., 2003) and Institutional Theory (Strange et al., 2009, Douma et al., 2006, Eisenhardt, 1989c)—to provide a more complete understanding of these linkages. Resource Dependence Theory emphasises the service and strategic roles of the board in addition to its monitoring function (Pfeffer, 1972). It suggests that firms adopt a high proportion of outside directors and larger boards in order to reduce environmental dependencies and uncertainty (Pfeffer and Salancik, 1978b, Boyd, 1990). Stewardship Theory argues that managers tend to act as stewards of their companies (Donaldson and Davis, 1991), while Institutional Theory contends that firms tend to respond to policies and enforcement mechanisms in the institutional environment in each country (North, 1990, Peng, 2003).

The current study adopts a multi-theoretical approach. Four key theoretical paradigms—Agency, Stewardship, Resource Dependence and Institutional Theory—are used to examine the influence of shareholders and boards of directors in promoting CE of privatised firms in transition economies. The research setting is Vietnam, a worthy study context for several reasons. Firstly, Vietnam is a transitioning economy that has just experienced a decade of policy-driven privatisation of a large number of state owned enterprises (SOEs). The process of equalization in Vietnam has created several forms and structures inside privatised firms which are associated with
various forms of corporate governance (Cuervo and Villalonga, 2000, Hoskisson et al., 2000). Secondly, the unique regulatory framework, as well as the evolution of cultural beliefs during the institutional transition that has accompanied privatisation, makes Vietnam a rich setting for understanding more about corporate governance, ownership structure and CE relationships. Studying the experience of privatised firms in Vietnam helps to uncover the structures and mechanisms that work to facilitate CE.

Four variables related to key board roles are addressed in this study include (1) the combination of roles of chairperson and CEO; (2) the proportion of board members who are also on the top management team; (3) the representation of outside directors on boards; and (4) the size of boards. In addition, this study will examine the effects of three ownership variables on CE, including (5) managerial ownership; (6) institutional ownership; (7) ownership concentration, on CE.

1.3. Research Objectives and Research Questions

The study will aim to answer the question: To what extent, and how, does ownership structure and corporate governance affect CE in privatised firms in Vietnam?

Specifically:

1. To what extent, and how, does ownership structure affect the CE in privatised firms in Vietnam?
2. To what extent, and how, does board governance affect the CE of privatised firms in Vietnam?
3. To what extent does board monitoring influence the CE of privatised firms in Vietnam?
4. What are the moderating effects of environmental uncertainty on the relationships between corporate governance, ownership structure and CE?

1.4. Structure of the Thesis

Chapter 2 introduces the context of transition economies where economic reforms and privatisation of SOEs has occurred since the collapse of the Soviet system, leading to dramatic economic growth. This chapter will provide an overview of Vietnam, including its economic and political characteristics, entrepreneurship, privatisation and the characteristics of corporate governance in privatised firms.

Chapter 3 reviews the literature on CE and corporate governance, focusing on several important theoretical paradigms, known linkages between governance and organizational outcomes, and the influence of environmental uncertainty. Extensive existing research analyzes the effects of board
governance and ownership structure on firm performance, but there is less work on the effects of governance on long-term strategic decision-making and in emerging and transition economies.

Chapter 4 develops the theoretical frame used for this current study, which is based on contrasting perspectives in corporate governance research. This chapter will focus on the relationships between corporate governance, ownership structure and CE and inject the moderating influence of environmental factors into the analysis. The study model and hypotheses are outlined in this chapter.

Chapter 5 introduces the study methodology, which is based on a mixed-methods approach. With respect to the quantitative analysis of survey data, the study population, sampling process and data collection effort are explained, as is the operationalization of all variables, the model specification, and statistical techniques. With respect to the qualitative analysis, the chapter explains how the case studies were selected and how the case data were collected and analysed.

Chapter 6 presents the results of the analysis of survey data; Chapter 7 provides an overview of the three industrial groups to which the six case firms belong; Chapter 8 analyses data collected via interviews with those firms and summarizes findings.

Chapter 9 draws key conclusions, outlines theoretical and practical implications of the study, summarizes the contributions to the literature, and discusses the limitations of the study and potential directions for future research.
Chapter 2: Vietnam: Context, Privatisation and Corporate Governance
2.1. **Introduction**

As indicated in Chapter 1, Vietnam is the research setting chosen for this study. This chapter therefore will provide an overview of Vietnam, focusing on the economic aspects, entrepreneurship and privatisation in Vietnam. Section 2.2 will provide a background to the Vietnamese economy. Section 2.3 will briefly discuss entrepreneurship in Vietnam. Section 2.4 will present the privatisation process in Vietnam and its typical features. This section will also discuss specific characteristics of ownership structure and corporate governance mechanisms, which have resulted from the institutional arrangements which were in effect during transition and privatisation process of Vietnam. Conclusion of the chapter will be presented in Section 2.5.

2.2. **Overview of Vietnamese Economy**

2.2.1. **Political Context and Economic Transition**

2.2.1.1. **Before 1975**

Vietnam’s history was for many centuries characterised by foreign invasions and occupations. Vietnam was firstly occupied by China for about one thousand years, until the middle of the tenth century, and then by France, starting in 1858. This turbulent history continued with the invasion by Japan during World War II and France again, until 1954, and of the United States from 1963 to 1975. The instability only ended after the war with neighbouring Cambodia ended (1978–89).

2.2.1.2. **1975–85**

After the government of South Vietnam fell on 30 April 1975, the north and the south of Vietnam were reunified under the name of the Socialist Republic of Vietnam. Private enterprises in the south were shut down, or turned into SOEs (Woods, 2002). This reunification led to the establishment of an integrated, planned economy. Collectivisation and nationalisation occurred in all industries.

During this period, Vietnam was a centrally controlled economy, with almost all economic activity controlled and planned by the government through a system of production and distribution plans, and strictly regulated pricing and interest rates. Private enterprises were not stimulated to expand, but were incorporated into either state or collective units. The market mechanism operated only in small businesses and the household economy, in only a part of the agricultural, handicraft, and consumer goods retailing sectors. The private sector existed illegally in the form of small family enterprises, household firms and sole proprietorships. As part of a centrally planned economy, these firms faced numerous difficulties, including lack of credit, restrictive trade regulations and a generally bureaucratic environment (Kokko and Sjöholm, 2000). Only semi-
private ownership (formed between the state and a private partner, and known as a partnership enterprise) was recognised in law.

2.2.1.3. 1986─99

The Vietnamese economic crisis early in the 1980s revealed to the government some of the drawbacks of a state-led economy and triggered the renovation process (Doi Moi), which focused on economic reform, and began in 1986. Doi moi (or “economic renewal”) (Schaumburg-Müller, 2005) embraced macro-economic stabilization and the promotion of foreign trade and investment. Following this paradigm, Vietnam has attempted to transform itself into a market-oriented economy. This programme represented a wide ranging agenda, aimed at stimulating economic growth and improving the capacity of Vietnam to achieve both self-sufficiency and higher levels of prosperity than it had previously. Especially, the Communist Party of Vietnam started to acknowledge the private sector as a necessary economic entity, and that favourable conditions should be provided as part of a multi-sectional economy for its further development. As a result, several pieces of legislation facilitating the development of private enterprises were issued (Benzing et al., 2005, Steer, 2002, Han and Baumgarte, 2000).

This reform legalised private ownership. Companies were allowed to register as private enterprises and shareholding firms could be created. This view was officially documented in the Constitution of Vietnam, 1992, which stipulates that “Vietnamese are free to do business by law”. As already noted, another key point of the reform policy was the transformation of SOEs to publicly-traded or private companies, an effort to enhance the performance of inefficient SOEs. Another change associated with Doi moi was the transformation of partnership enterprises, so that they de facto came under private ownership, which differed from private firms in that they had two or more owners (Ronnás, 1992).

Policies such as these passed into law via a raft of significant economic legislation (such as the Law on Private Enterprise, 1990, the Law on Companies, 1990, the Law for Domestic Investment Promotion, 1994, and its revised version in 1998). By the end of this period, a relatively comprehensive body of laws had already been formulated (Bentley, 1999). Table 1 below demonstrates the key events of the transition.
Table 1: Key Milestones in Transition Process of Vietnam’s Economy

<table>
<thead>
<tr>
<th>Year</th>
<th>Events</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>The Sixth Party Congress</td>
<td>Doi Moi (Renovation) programme launched</td>
</tr>
<tr>
<td>1990</td>
<td>Private Enterprise Law</td>
<td>Providing legal basis for establishment of sole proprietorships, and allowing private sector to be formally involved in business activities for first time in many years</td>
</tr>
<tr>
<td>1990</td>
<td>Law on Companies</td>
<td>Opening up for limited liability and joint-stock companies; Special sales taxes, turnover taxes, and profit taxes introduced</td>
</tr>
<tr>
<td>1991</td>
<td>National Congress of the Communist Party of Vietnam</td>
<td>Reconfirming necessity of the private sector; Strategy for development of a multi-sector commodity economy</td>
</tr>
<tr>
<td>1992</td>
<td>Constitution of 1992</td>
<td>The role of private sector officially recognized</td>
</tr>
<tr>
<td>1993</td>
<td>Law on Enterprise Bankruptcy</td>
<td>An enterprise can be declared bankrupt in case of significant losses due to inappropriate management, and inability to repay debts when due; both debtors and creditors can initiate proceedings in this regard;</td>
</tr>
<tr>
<td>1994</td>
<td>Law for Promotion of Domestic investment</td>
<td>Encouraging investment in private sector</td>
</tr>
<tr>
<td>1996</td>
<td>The Eighth Party Congress</td>
<td>Explicitly restating objective that state should hold a central position in the country’s economic development</td>
</tr>
<tr>
<td>1998</td>
<td>Law for Promotion of Domestic investment (edited)</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>Enterprise Law 2000</td>
<td>Simplify significantly business registration; improve the climate for private enterprises</td>
</tr>
<tr>
<td>2001</td>
<td>The Ninth Party Congress</td>
<td>Focus on development of private economic sector but reconfirming leading role of the State</td>
</tr>
<tr>
<td>2005</td>
<td>Law on Companies 2005</td>
<td></td>
</tr>
</tbody>
</table>

After *Doi Moi*, Vietnam developed quickly and emerged as one of the fastest growing economies in South East Asia (King-Kauanui et al., 2006). In a relatively short period, the central government managed to release private sector and attract foreign investment (Quang, 2006). The impact of these policies was enormous. In the 1990s, annual GDP growth rate averaged 8.0 percent, and by the end of the decade the rate of inflation—at times in the 1980s in triple digits—had been brought down to single digits Table 2.

Table 2: Economic Development, 1991—99

<table>
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<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation (annual %)</td>
<td>67.5</td>
<td>17.5</td>
<td>5.2</td>
<td>14.4</td>
<td>12.7</td>
<td>4.5</td>
<td>3.6</td>
<td>9.2</td>
<td>0.1</td>
</tr>
<tr>
<td>GDP growth (annual %)</td>
<td>6.0</td>
<td>8.6</td>
<td>8.1</td>
<td>8.8</td>
<td>9.5</td>
<td>9.3</td>
<td>8.2</td>
<td>5.8</td>
<td>4.8</td>
</tr>
</tbody>
</table>


At the same time however, as was frequently the case in other transition economies, formal constraints on the planning regime were weakened and the necessary formal institutions of a market economy (i.e., a well-defined property rights-based legal framework and the infrastructure needed to support market transactions) were not developed (Boisot and Child, 1996, Peng and
Heath, 1996). Moreover, the government’s commitment to *Doi moi* remained uncertain. Unlike most former-communist Eastern European countries (but similarly to China), Vietnam formally retained its traditional socialist ideology, choosing the socialist-oriented market economy path to development. While hesitantly encouraging the development of the private sector, the government continued to ensure that SOEs played a leading role in the economy. If, however, these SOEs attained the objectives set by the government, little room would be left for private companies to grow and become competitive. Subsequently, two economic systems existed in parallel, with the owners of private businesses uncertain as to how much they should develop (Boisot, 1997, Kokko and Sjoholm, 2000). Problems relating to land access and credit remained unsolved and society’s perception of the private sector was somewhat negative.

### 2.2.1.4. After 2000

Together with a number of reform policies, the 1999 Enterprise Law (which replaced Private Enterprise Law and Company Law) was a breakthrough in the economic and administrative reform, establishing a favourable business environment for private sector development, pushing up economic growth and creating employment. In particular, in 2001, the Ninth Party Congress endorsed a Socio-economic Development Strategy emphasising the reduction of poverty by moving towards a socialist-oriented market economy. During the early 2000s, Vietnam maintained a high rate of growth, at an annual rate of about 6—7 per cent. The rapid expansion of the economy has been accompanied by high levels of growth in international trade, large-scale inflows of foreign direct investment, a dramatic reduction in poverty, and almost universal access to primary education, healthcare and life-sustaining infrastructure (including paved roads, electricity, piped water, and housing) (Table 3). This transformation has helped Vietnam to move from being a country of extreme poverty to being a lower-middle-income country (Christens and Kirshner, 2011), which is probably a some rosy picture of the economic reform.

#### Table 3: Key Economic Indicators, 2000—10

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2005</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (current US$) (billions)</td>
<td>31.17</td>
<td>52.93</td>
<td>90.27</td>
<td>97.15</td>
<td>103.57</td>
</tr>
<tr>
<td>GDP growth (annual %)</td>
<td>6.8</td>
<td>8.4</td>
<td>6.3</td>
<td>5.3</td>
<td>6.8</td>
</tr>
<tr>
<td>Inflation (annual %)</td>
<td>3.4</td>
<td>8.2</td>
<td>22.1</td>
<td>6.0</td>
<td>11.9</td>
</tr>
</tbody>
</table>

*Source: World Development Indicators Database (World Bank)*

### 2.2.2. Institutional Environment

North (1990) argues that formal and informal institutions provide the “rules of the game” that control organisations in their role as players in the economy. Formal institutions are rules and regulations that are written and formally accepted (North, 1990); informal institutions are societal norms, customs, and cultures, ideology, unwritten code of conducts (North, 1990, 1994).
Chapter 2: Vietnam: Context, Privatisation and Corporate Governance

Notably, according to North (1990, p. 6) "although formal rules may change overnight as the result of political and judicial decisions, informal constraints embodied in customs, traditions, and codes of conduct are much more impervious to deliberate policies." The following section presents a general background to the institutional environment in Vietnam.

2.2.2.1. Formal Institutions

Tran et al. (2009) find that formal institutions such as property rights, contract enforcement and dispute resolution, have influenced firm performance in Vietnam.

Notwithstanding the above-mentioned successes brought about by the 1999 Law of Enterprises, there are still many obstacles in the path to a complete level playing field for all economic sectors. Public resources are concentrated in the state sector; the public sector continues to enjoy many privileges; the private sector is still subject to bias in areas such as capital, land and technology (Vu, 2006, IFC/MPDF, 2005). The state enjoys monopoly-like conditions in the production of many types of goods and services such as fertilizer (99 per cent), coal 97 per cent), electricity and gas (94 per cent) and telecommunications (91 per cent) (World Bank, 2012). Unlike the majority of economies which are entirely market-based such as the U.S. and the U.K., in Vietnam the state plays a major role in production of many consumer goods, including cement (51 per cent), beer (41 per cent), and refined sugar (37 per cent).

In the banking sector, state banks dominate the financial system and impose stringent regulations (O’Connor, 2000, World Bank, 2002). Finance for private small and medium enterprises (SMEs) mainly comes from friends, relatives or other informal sources (Le a and Nguyen, 2009). The stock market was first launched in 2000. Vietnam has two regulated stock markets (in Hanoi and Ho Chi Minh City), in addition to an unregulated market. The first Vietnamese stock market, formally known as the Securities Trading Centre (STC), is located in Ho Chi Minh City. In recent years, the regulated market has grown rapidly, despite its share of capitalisation as a percentage of GDP (at 15 per cent) being small compared to other countries in the region (Leung, 2009). The enactment of the Securities Law in January 2007, together with the revamp of the 2005 Investment Law and the 2005 Enterprises Law, has provided a legal framework, at least in theory, for the supervision of the equities markets. Nonetheless, the effectiveness of enforcement of the law and the operation of the associated courts and judiciary remain to be seen.

A number of researchers have emphasised the role of the legal framework in the success of Doi Moi (e.g., Le, 2009, Vo, 2008). In fact, over the past three decades there has been much improvement in the legal and institutional environment in the private sector in Vietnam, of which the most notable was the introduction of the new Law on Enterprise, issued in 1999. This law has changed the licensing system, significantly reducing the cost of obtaining a business license. Although Vu (2006) reports some improvement in the business environment after 2000, several
general problems remain with this legal framework. Many provisions in the laws issued are inadequate, incomplete and at times confusing. The laws themselves are not consistent (for example, company law and private enterprise law are contradictory). The legal documents relating to contracting contain rules which overlap and are contradictory, rendering the legal regulations ineffective (Nghia, 2002). It is quite possible that even when enterprises are engaged in similar activities they are subject to different rules.

Under the 1992 Constitution of Vietnam, land belongs to the state; it can be assigned to individuals on long leases, and land-use rights are transferable. The right to own private property has been officially recognised since the promulgation of the 1993 Land Law. In practical terms however, such rights are highly restricted. The Land Law did not clearly define the functions of related government bodies, and the implementation of the dissemination of land use right certificates has always been very weak. As a result, many non-state firms have their own premises but do not have a land use rights certificate which could be used as collateral for loans. In 2000, the IMF contended that Vietnam did not have secure private property rights. In 2003, the Land Law 2003 was adopted, primarily as a result of the process of Doi Moi. This law may have been a turning point for issues associated with land tenure; it has been much improved by the adoption of a separate chapter on the rights and obligations of land users. However, its implementation, as in the case of providing market and other information, depends on the practices of local government authorities (Carlier and Tran, 2004). Overall therefore, property rights are not yet well-established in Vietnam.

2.2.2.2. Informal Institutions

Lin (2001) argues that Confucianism and Marxist Leninist ideology are ingrained traditions in Chinese culture and have a strong influence on organisational norms. Vietnam is recurrent in this regard. During institutional transformation, transition economies have witnessed dramatic changes in economic and legal institutional infrastructure. Nonetheless, informal institutions (the norms and values inherited adopted from socialism, for example) did not change immediately (North, 1990, p. 45, Helmke and Levitsky, 2004). Consequently, prior studies argue that entrepreneurial behaviours in transition economies are usually shaped by the rules inherited from the socialist period. Ledeneva (2008) argues, however, that whereas the post-Soviet reforms have changed significantly, so that blat (social networking) has become increasingly less relevant, in China the practice of guanxi still plays an important role. Ledeneva explained that this is due to the partial nature of reforms in China in which the state has retained its communist ideology. Given the fact that China and Vietnam have followed the same road to reform, the informal institutions of Vietnam are relatively similar to that of China. In essence, the guanxi ethic derives from kinship ethics and Confucianism, which promulgate respect and harmony, valuing reciprocity and mutual
relationships. This remains relevant in Vietnam where the culture is considerably affected by Confucianism and emphasises collectivism rather than individualism (Ralston et al., 1999). However, Ledeneva (2008, p. 127) pointed out that although guanxi “makes use of the ethics of friendship and mutual help, it also carries a connotation of wrongdoing”. As a consequence, personal networks have been widely used by individuals to circumvent the law and achieve the results they need. Indeed, Scheela and Nguyen (2004) found that venture capitalists consider networking with government officials essential to operating in Vietnam. In the context of corporate governance, this culture may result in collusion between the de facto managers and controlling shareholders to expropriate minority shareholders. It also explains the prevalence of an insider board of directors to exist in Vietnamese firms, with the aim of preventing the participation of outsiders.

Research has found that in transition economies, personal connections help business actors to mobilise resources and to cope with institutional uncertainty (Ahlstrom and Bruton, 2006, Aidis and Adachi, 2007, Peng and Heath, 1996). In Vietnam, Steer and Sen (2010) found that where formal institutions are ineffective, firms encountering risk in their business transactions tend to use informal institutions (such as networks and family contacts) to manage it. Although laws governing business transactions have been issued, their enforcement is very weak (Reza, 1999) and confidence in the courts has been compromised (McMillan and Woodruff, 1999). In particular, the judiciary system is quite undeveloped and not independent from the Communist Party (Reza, 1999). Investors and the private sector are thus likely to avoid taking each other to court and tend instead to solve their disputes among themselves, implicitly considering this to be more effective (Pham, 1995). In other words, Vietnamese firms and entrepreneurs are more inclined to use inter-firm relationships or other social networks to supplement the courts to facilitate contracting and resolve disputes (McMillan and Woodruff, 1999, Nguyen et al., 2005, Hoang and Antoncic, 2003). In general, ties embedded in family, relatives and other social connections are very important in Vietnamese society (Truong, 1997). Research has also found that private firms in Vietnam often use their connections with government officials to gain access to bank loans (Le et al., 2006, Nguyen et al., 2006). Interestingly, Steer and Sen (2010) found that personal and social networks are still important in Vietnam’s uncertain business environment, even though the economy is becoming increasingly mature and formal institutions more efficient.

2.3. Entrepreneurship in Vietnam

Doi moi has facilitated the building of market institutions and infrastructure, for example by issuing laws and providing support for the private sector (Nguyen, 2005). These institutional developments encouraged new venture creation and created a favourable environment for entrepreneurial firms. As a result, the private sector has undergone a rapid development in terms
of a considerable increase in the number of private enterprises. Despite the long history of Vietnam’s entrepreneurs operating under a hostile institutional environment (Nguyen, 2005) (i.e. in the almost complete absence of formal institutions), it is clear that this environment has gradually become more conducive to entrepreneurship and establishing itself as an exemplar of robust growth (McMillan and Woodruff, 2002). In 1991, 414 private firms were created, a figure which increased to 5,189 in 1992, 15,276 in 1995, 39,180 in 1998 and 45,601 in 1999 (Nguyen, 2006). As previously noted, the 1999 Company Law led to tremendous economic growth and a remarkable increase in the number of registered businesses (VNCI-VCCI, 2009). This was contributed to by additional enterprise laws (2003 and 2005) which established more favourable conditions for the private sector, and the number of non-state enterprises increased exponentially between 1999 and 2011 (Figure 1). Data from the General Statistics Office of Vietnam in the same period provides evidence that in comparison with public and foreign investment enterprises, non-state-owned enterprises grew at a much faster rate than both SOEs and foreign-owned or foreign direct investment enterprises. By the end of the 2000s, market conditions had changed remarkably. Access to markets and buyers had become increasingly favourable (Steer and Sen, 2010).

![Figure 1: Number of newly registered enterprises](image)

*Source: General Statistics Office of Vietnam*

There is no doubt that the private sector has played a very important role in economic growth in Vietnam. In 2005, contributions by non-state owned enterprises to gross domestic product (GDP) surpassed those of state-owned enterprises. In 2000, the private sector had contributed 39.6 percent to GDP, compared to 38.52 percent by the SOEs and 13.3 percent from the foreign-owned sector. By 2009 however, the contribution to GDP of three types of enterprises (non-state-owned enterprises, SOEs, and foreign investment enterprises) was 41.1 percent, 35.1 percent and 18.33 percent, respectively.
Chapter 2: Vietnam: Context, Privatisation and Corporate Governance

2.4. Privatisation, Ownership Structure and Board Governance

2.4.1. Privatisation

2.4.1.1. Privatisation Process

As mentioned above, an important element of Doi Moi programme was the reform of the state-owned enterprise sector. Before reform, SOE performance was very poor, with most being unproductive, inefficient, and running at a loss. The privatisation programme in Vietnam (officially known as the “Equitization Programme”) was started in 1992 in order to address this issue.

In the context of Vietnam, equalization is defined as the transformation of SOEs into joint-stock companies through selling part of the shares in the company to investors. At the beginning of Doi Moi in 1986, Vietnam had around 12,300 SOEs, many of which were unprofitable and exhibited signs of substantial inefficiency. By the end of the pilot programme in 2004, this number had declined to around 6,500 (Vu, 2005). Equitization creates favourable conditions for enterprises to mobilise investment capital and to clean up corporate finance, so as to achieve better operating performance. It helps weak enterprises develop and provides a "tonic" which can promote strong enterprises.

The equitization process in Vietnam occurred in two stages. The pilot stage was from 1992 to 1996 and the expansion stage was from 1996 onwards. The SOEs eligible to participate in the pilot equitization programme were small and medium-sized, and profitable (or at least potentially profitable), but not “strategic enterprises”. Under the slogan “grasping the large, letting go of the small”, the programme aimed to transform small and medium-scale, non-strategic SOEs into joint-stock companies (JSCs). This was to be done through the acquisition of shares by enterprise employees (on preferential terms), by domestic private and public investors, and by foreign investors (with the proviso that the participation of this latter group had to be approved by Vietnam’s prime minister). The companies so formed would be governed by company law.

Table 4: Milestones in Equitization in Vietnam

<table>
<thead>
<tr>
<th>Decree/Year</th>
<th>Content</th>
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<tbody>
<tr>
<td>Decision 202-CT</td>
<td>Launched Equitization Programme, June 8, 1992</td>
</tr>
<tr>
<td>Decree 84/Ttg in March 1993</td>
<td>Extended the pilot scheme with new regulations. This helped to accelerate implementation of the pilot equitization programme and solutions for diversification of ownership types</td>
</tr>
<tr>
<td>Decree 28/CP in May 1996</td>
<td>Provided the first legal framework for equitization</td>
</tr>
<tr>
<td>Decree 25/CP in March 1997</td>
<td>Provided changes to Decree 28/CP 1996</td>
</tr>
<tr>
<td>Decree 44/1998/ND-CP</td>
<td>Further accelerated equitization with specific regulations, such as subjects, forms of equalisation, enterprise valuation and assessment methods</td>
</tr>
<tr>
<td>Decree 64/2002/ND-CP</td>
<td>Provided new principles on equitization (with changes concerning firm valuation</td>
</tr>
</tbody>
</table>
After 1992, many documents were issued with changes in accordance with the macro context, and designed to further facilitate the equitization process. In March 1993, Vietnam’s prime minister issued a further decree aimed at accelerating implementation of the pilot equitization programme. This stipulated that employees of equitized enterprises had the right to be offered the shares first, and to buy them on preferential terms. However, during the pilot period (1992–6) only five SOEs were equitized. These included small SOEs from the transport, shoe, machine and food-processing industries.

Originating from the need for a more aggressive approach to equitization, in May 1996 the government issued Decree 28-CP, which brought to a close the pilot stage and initiated a new stage of the equitization process. This decree maintained the general principles of the pilot programme, extended the scope of equitization to non-strategic small and medium-sized SOEs, and required SOE-controlling agencies (ministries, people’s committees and state corporations) to select enterprises for equitization. However, implementation was again cautious, and between 1996 and 1998 only 25 firms were equitized. This slow process was due to resistance from interest groups, and barriers in the form of administrative procedures. Many SOE managers were afraid of losing the privileges they had gained as managers of a state enterprise. More importantly, because payment of salaries under equitization would be strictly related to company performance, SOE managers were under threat of not being paid and losing their jobs. Clearly, their accountability to shareholders as part of a public company was much higher.

In 1998, recognising the shortcomings of Decree 28, the government adopted Decree No. 44/ND-CP. This decree is considered to be the first legal framework for equitization. It included clearer and more comprehensive articles guiding the transformation process of SOEs into equitized firms. As a consequence, an average of a hundred SOEs have been equitized each year in about five years following the issue of this decree (indeed, Vu (2005) contended that equitization started only after its issue). However, despite the important role of Decree 44 in stimulating the equitization process, it had some shortcomings, specifically in terms of the unclear guidance it provides regarding the valuation method. Nonetheless, this decree remains the cornerstone of the equitization process. As a consequence, the number of SOEs (1,292) successfully transformed into equitized firms between 2003 and 2004 brought the total of SOEs privatised to 2,224 (Vu,
2006). In mid-2002 the government issued Decree 64 to replace Decree 44. This incorporated about 10 major changes (including those addressing firm valuation methods, initial public offering requirements and founders' obligations) and has also had a strong impact on the equitization process (Loc et al., 2006). With this decree, after 2004 initial public offerings (IPOs) issued by equitized companies were required for the first time to be auctioned openly, and at least 20 percent of their legal capital had to be sold to outside investors, based on the market price. (Prior to 2004, shares had been sold based on their fixed prices; these were scarcely a reflection of the true value of the enterprises. Equitized companies at that time were undervalued, and equitization took place primarily between insiders).

Up to 20 April 2012, a total of 3,951 SOEs (accounting for 67.4 percent of the total number of enterprises) have been completely equitized (see Figure 2).

![Figure 2: Number of equitized SOEs](image)

**Sources:** Department of Enterprise Reform and Development, Office of the Government of Vietnam

### 2.4.1.2. Key Features of Vietnamese Privatisation

The privatisation programme in Vietnam has been described as a process of top-down sales to both insiders and outsiders (Giang, 2008). Unsurprisingly, given the economic and political context, the largest proportion of shares in those companies equitized continues to be held by the state and insiders, including managers and workers (Sjöholm, 2006). In addition, the concept of equitization in Vietnam is differs from that of privatisation in developed countries. Vietnam was determined to retain its socialist orientation, and equitization was thus undertaken with the underpinning ideology of a socialist-oriented economy. As a result, the government maintains monopoly power over strategic SOEs. Equitization therefore means that in many cases the government retains controlling rights over the firm in question, especially for those SOEs which are profitable.

In association with the corporatisation process of the 1990s, central government further decentralised power by specifying the exact decision-making rights which were to be assigned to
Chapter 2: Vietnam: Context, Privatisation and Corporate Governance

SOEs. While granting most operating decision rights to SOE managers, the government retained ultimate rights concerning mergers and acquisitions, the disposal of shares and assets, and the appointment of CEOs.

According to the Ministry of Finance, in 2011 3,976 SOEs remained unequitized. Of these, 58.6 percent were the SOEs of local government, 31.7 percent were the SOEs of the ministries and 9.7 percent were of state groups and corporations (Central Steering Committee for Enterprise Reform, 2011).

In many senses, privatisation has improved the performance of SOEs (Giang, 2008). The Ministry of Finance report presented at the Workshop on Equitization and covering the period of 2001—10 stated that based on the data of 2,442 privatised firms, all financial indicators had increased compared with those before equitization (for instance, revenues increased 1.9 times and average income increased 3.2 times) (Ministry of Finance, 2011). However, in the context of Vietnam, policies embedded in the privatisation process were unlikely to create the appropriate incentives for the managers of privatised firms. Put another way, the managers of previously SOEs tried to prevent their company from being privatised because they might lose the privilege they should have in the former SOEs and might face the career risks when their firm operates under the corporation form. In most cases, the board of managers were not replaced by a new board after privatisation (Vu, 2006), and no significant change occurred in their management style, especially those with a large state share. In addition, because of the hesitation of the government in transferring state capital to strategic investors, privatised firms generally lack these investors, and they are given little importance in the process of privatisation (Tran, 2002). Most importantly, since the stock market is underdeveloped, managers of the privatised firms do not face any takeover threat. Finally, since the enforcement of regulations is, in general, very weak, minority shareholders are not well-protected.

2.4.2. Corporate Governance

A wide range of mechanisms exist to help to govern or control the behaviours of managers of privatised companies. Some are internal to the firm, such as the board of directors and executive compensation structures. Others are external, such as the market for corporate control, the competitive environment, local laws, and both formal and informal institutions (Walsh and Seward, 1990). Within a firm, the primary mechanisms affecting the degree to which management represents the interests of shareholders include board composition, ownership structures, the compensation plans, and the debt structures (Denis, 2001).

2.4.2.1. Corporate Governance Regulations in Vietnam

Regulatory framework of corporate governance
Corporate governance in Vietnam is significantly affected by the unique institutional arrangements rooted in the country’s political system and ideology. The corporate governance system is regulated by Vietnam’s Enterprises Law 1999, Enterprises Law 2005 and Securities Law 2005. It reflects many different law systems which mainly adopt Anglo-American company law principles (Gillespie, 2002). In principle, a joint-stock company in Vietnam is modelled on a public company in UK company law, a shareholding company in China’s company law, and an AG (Aktiengesellschaft)¹ according to German company law (Le and Walker, 2008).

The Enterprises Law 1999 (and later in Enterprises Law 2005) provided a fundamental legal framework for the corporate governance of public companies. The majority of regulations which govern joint-stock companies are defined in the company charter provided by the Enterprises Law 2005. This law regulates several aspects of corporate governance, such as directors’ duties, member’s rights, boards of management, and conversion among corporate entities. Figure 3 outlines the management board of a joint-stock company. With three main constituent bodies—the shareholders’ general meeting, board of directors and the board of supervisors—this governance structure is modelled on the German two-tier board system. The General Meeting of Shareholders (GMS) consists of all shareholders who have the right to vote, and the board of directors (or board) consists of between three and 11 members who are appointed by the GMS. The chair of the board is appointed by the board. Given this two-tier-board structure, control of the board lies in the hands of a separate supervisory board (the control board).

Below is a brief description of some of the governance bodies regulated by the Enterprises Law 2005.

¹ The AG (‘Aktiengesellschaft’ = public or non-public corporation) is a company with its own legal personality.
General meeting of shareholders (GMS)

The Enterprises Law 2005 sets out provisions in relation to the GMS (the highest decision-making body of a joint-stock company). The GMS includes all shareholders who hold voting rights and can only go ahead when attendance beings to the table at least 65 percent of voting shareholders. At meetings, a resolution can be passed if it is approved by at least 65 of the total voting shares of the attending shareholders. If a resolution is adopted by written vote, it must be approved by at least 75 percent of total votes.

Board of directors (BOD) and members of BOD

The board of directors comprises between three and 11 members elected by the GMS and play an essential role in governing a joint-stock company. It manages the company, and has the authority to make decisions in relation to the company name and to exercise the company’s rights as regulated by law and in the company charter. It appoints or dismisses the General Manager and other key managers; each member has one vote. Notably, the board of a joint-stock company in Vietnam has more power and a more direct role than a supervisory board operating within the German two-tier structure (Hai and Nunoi, 2008). Importantly, the Enterprises Law 2005 and Decision 15/2007/QĐ-BTC (which provides the Model Charter applicable to listed firms) stipulates that one third of board members must be non-executive independent members. The objective of this is to enhance the board’s independence. However, neither the Enterprises Law 2005 nor the Model Charter 2007 provide guidelines related to the qualification and nominations of non-executive independent members (Le and Walker, 2008, H.T. Le, 2009). Only until 2012, Circular 121/2012/BTC provided guidance on this.

Chairperson

The head of the board is the chairperson (or chair), appointed by the GSM or the board in accordance with the company’s charter. The chair can also hold the position of company CEO, unless provided for otherwise by the charter, and is responsible for chairing board and GSM meetings, planning the board’s activities, and monitoring the implementation of the board’s resolutions.

Manager or General Manager (CEO)

The Enterprises Law 2005 does not define the position of CEO or corporate manager. Unlike in developed economies, particularly those governed by under the Anglo-American judicial system, the legislative definition of these positions does not cover “shadow” and “de facto” managers. Hai and Nunoi (2008) argued that this leads to a lack both of responsibility and accountability of those in managerial positions. The CEO of a joint-stock company is selected by the board and is in
charge of running daily operations, implementing board decisions, and selecting managers who do not fall under the scope of the board’s power.

**Board of Supervisors (BOS)**

The Enterprises Law 2005 states that any joint-stock company which has more than 11 individual shareholders or whose institutional shareholders hold more than 50 percent of shares must have a board of supervisors. Unlike the supervisory board in the Anglo-American model (which belongs to a board of directors), the BOS of a joint-stock company in Vietnam is elected by the shareholders and is independent of the Board. The BOS supervises the board of directors and the CEO, and their management of the company. More specifically, the BOS checks the reliability, legality and truthfulness of management, and evaluates the annual reports, financial statements and management reports of the board. However, although the Enterprise Law 2005 provides increased mechanisms to enhance the power of the BOS of joint-stock companies, in reality these regulations are not efficient or properly enforced. As a result, the BOS “just exists on paper” (Nguyen, 2004). Up to date, this reality is still prominent in the publicly traded firms. This is the primary reason that this study does not take into account the role of the supervisory board as predictor of organisational outcomes. Annex 1 provides the events and regulatory rules relating to corporate governance from 1992 onwards.

### 2.4.2.2. Key Stakeholders of Privatised Firms

Through privatisation, different types of investors in Vietnam are involved in various categories of shares: state institutional, insider, individual, and employee shares. These shareholders differ in their interests, incentives, and ability to monitor management.

**State investors**

State shares are those controlled by government. In Vietnam, the state shareholder’s rights are exercised by the relevant authority, which is one of four main agencies: state capital investment corporation (SCIC), provincial authorities, ministries and state corporations. Given the typical approach of partial privatisation, the state still maintains controlling ownership of many privatised firms in Vietnam. With government policy being to “retain the large, release the small”, state ownership is dominant in large firms, where it maintains control over long-term decisions. According to a report of the Committee for Enterprise Reform, between 2001 and 2010 the state had 35.9 percent of controlling shares in 3,388 privatised firms (Central Steering Committee for Enterprise Reform, 2011), and a 57 percent share in firms privatised up until November 2011 (Central Steering Committee for Enterprise Reform, 2011).

**Managers and employees**
As part of Vietnamese privatisation practices, employees and managers acquire a considerable portion of shares in a firm which has undergone privatisation (Sjöholm, 2006). This is because at privatisation they were offered shares at a high discount (40 percent). After a holding period of six to twelve months, the company may register with the State Security Committee to allow its employees to sell the shares on the open market. Almost all employees in privatised firms trade their shares quite rapidly, while managers tend to buy back the shares from employees; as a result, the main shareholders of privatised firms are still insiders and ownership after privatisation is typically inside ownership. The Committee for Enterprise Reform report indicates that on average, insiders held 14 percent of shares in firms privatised before the end of 2011 (Central Steering Committee for Enterprise Reform, 2011).

**Institutional investors**

Institutional shares are those owned by institutions which are legal entities and divided between domestic and foreign shareholders. Due to constraints limiting the number of shares which can be bought in privatised SOEs, institutional investors in privatised firms hold only a very small proportion of capital shares. According to Decree 187 (2004), strategic investors are allowed to purchase only a maximum of 20 percent of total shares being sold at a discount of 20 percent compared to the average auction price. However, they are obligated to hold these shares for three years after the date when business registration certificates are issued to the privatised firm in question. The participation of institutional investors is then tightened by Decree 109/2007/ND-CP, which prevents institutional investors from buying shares below the average auction price. Only until Decree 59/2011/ND-CP was issued, the minimum quota of shares sold to normal shareholders was reduced, giving institutional investors the opportunity to buy larger amounts of shares. In particular, institutional investors, after the decree, are allowed to negotiate the price with the issuers before IPO. However, under the terms of this decree, institutional investors who want to acquire more shares than the allowed amount, still have to purchase at public auction on the stock exchange. Briefly, despite the changes to regulations governing the selling of shares, institutional investors continue to face constraints when buying shares in SOEs, limiting their contribution to the growth of privatised firms.

**Individual investors**

Individual shares are those owned by employees or public investors. The majority of individual investors in Vietnam are small shareholders. In particular, given the distinctive characteristics of institutional environment in Vietnam where the corporation form has been in place only since 1999, the operating mechanism of corporation form is relatively new to individual investors, who thus lack the knowledge and ability to gain a seat on the board. Despite rules established by the Enterprises Law 2005 to protect minority investors, in reality, Vietnamese individual investors pay
almost no attention to the regulations specified either under this law or in the company’s charter (Le and Walker, 2008). Consequently, there is a high propensity of controlling shareholders to expropriate the value of minority investors and this means that individual investors are more likely to act as speculators, seeking short-term profits over long-term benefits.

**Managers (agents)**

Although the Enterprises Law 2005 states that the CEO of a privatised firm should be elected by the GMS, in effect this position is usually decided by the controlling shareholders (who are usually the state in the case of Vietnam). As a consequence (and as is the case in China), although the CEOs own a small amount of capital shares, they are able to exercise control through direct appointments or other political power (Wei et al., 2005). Thus, although corporate governance standards award the CEOs of privatised firms the power of an agent, this is not the case in reality. This phenomenon has been noted by Qiang (2003), in that in China, “in a sense, there can hardly be found the real owners and agents in this institutional setting.” On the other hand, it is important to note that many CEOs of privatised firms held a management position in former SOEs (Vu, 2005) before privatisation (Gainsborough, 2009). This may mean they have an advantage when their position in the privatised firm, due to their understanding of how a business works and their connections with other stakeholders.

**2.4.2.3. Ownership Structure**

The unique features of the privatisation process in Vietnam and the distinctive characteristics of the shareholders mean that the ownership structure of privatised companies in Vietnam is varied and quite complicated. Firstly, as mentioned above, privatisation here differs from that of typical developed countries, in that in many cases the state, as an investor, still holds decisive voting rights: ultimately, the ownership structure is highly concentrated by the state (Giang, 2008). Secondly, as noted earlier, it is characterised by insider ownership (Sjöholm, 2006). According to data from 2004, insiders accounted for 46.5 percent of total assets in privatised firms (Loc et al., 2006). Even though this ratio gradually decreased over time as a result of the participation other investors, insiders continue to hold a relatively large proportion of total shares of privatised firms in Vietnam. Ownership after privatisation thus is typically inside ownership. Although ownership structures in privatised companies worldwide tend to be institutionalised, in Vietnam the institutional shareholding ratio is low.

**2.4.2.4. Board Governance**

In terms of the operation of the company, the board of directors of joint-stock companies in Vietnam has a similar structure and set of responsibilities to those of capitalist societies. Given that the state retains a considerable proportion of its share in privatised companies, it is
appropriate to examine corporate governance in terms of the role of the state vis-à-vis the board. Privatised firms can be categorised in three types according to their degree of state control: a majority share, a minority share and no control. Where the state retains more than 51 per cent of the capital share, firms are referred to as majority shareholding firms; those with less than 51 per cent retained by the state are minority shareholding firms. In majority shareholdings, the controlling agencies appoint the directors and have a veto over their appointment. Notably, the Chief Party Secretary of these agencies also has the responsibility for approval of these appointments. Consequently, except for the firms where the state has minority or no share, boards of directors of privatised firms tend to be dominated by representatives of the controlling agencies. However, since these agencies have insufficient staff to act as representatives in the day-to-day running of these firms, they often assign this role to the managers of former SOEs. Yet again, the majority of board members in privatised firms are made up of insiders. Only until 2009, the government requires one third of board members of publicly traded companies to be outside directors; their representation may now slightly improve. It is worth noting that as the regulations governing independent non-executive directors are not clear and are loosely regulated, firms are likely to assign their employees (who are not officially appointed by the GMS and the board) as independent directors, again compromising the move towards independence of the board.

2.5. Conclusions

Chapter 2 provides the background to the political context and economic transition in Vietnam, describing the country’s development since 1975. In particular, it emphasised the institutional transformation of Vietnam, which was marked by significant changes in legislation relating to the private sector, together with policies which aimed to facilitate privatisation in Vietnam. The chapter also described the evolutionary process of privatisation in Vietnam, with an increasing number of SOEs being transformed into joint-stock corporations between 1990 and 2012. Most importantly, this chapter provided important background to the ownership structure and corporate governance mechanisms of privatised firms in Vietnam, suggesting several basic implications as to how these mechanisms may shape the investment behaviours of such firms.
Chapter 3: Previous Research
3.1. Introduction

This chapter presents a review of the literature and is organised into two main sections. The first section presents the literature on CE and its various definitions. Discussion includes an examination of entrepreneurship and of CE and its characteristics. The second section presents the existing research, which addresses the relationships between board governance, ownership structure, board monitoring and CE, as well as the moderating effects of environmental uncertainty on these relationships.

3.2. Corporate Entrepreneurship Literature

3.2.1. Definition of Entrepreneurship

No universally accepted definition of entrepreneurship exists, despite the efforts of researchers over several decades to find one (Carsrud et al., 1985, Sexton and Smilor, 1986, Brockhaus, 1987, Low and MacMillan, 1988, Elizabeth Chell et al., 1991, Baumol, 1993, Carland, 1984, Bull and Willard, 1993). The earliest-known use of the concept was by Cantillon (1734). He described entrepreneurs as individuals who are prepared to shoulder uncertainty when working for themselves (Lumpkin and Dess, 1996), and who engage in market exchange by taking the risk of buying at a certain price to sell again at an uncertain price (Hébert and Link, 1989). In the nineteenth century, Say (1821) extended Cantillon’s definition by taking the view that entrepreneurship is the combining of the factors of production into an organism. He saw the entrepreneur as a “broker”, a coordinator of the means of production with the aim of producing goods at his own risk (Landström, 2005). Later, Mill (1848) focused on this aspect of risk-bearing, considering it to be a key factor for distinguishing between an “entrepreneur” and “managers” (Carland, 1984). He also included other functions that entrepreneurs might assume, such as supervision, control and providing direction to companies (Cunningham and Lischeron, 1991).

Schumpeter (1934) considered entrepreneurship a process which disrupts the market equilibrium, or ‘circular flow’. He referred to this process as one of ‘creative destruction’, where the entrepreneur displaces or destroys the existing products or methods of production and replaces them with new ones. According to Schumpeter, an entrepreneur “carries out new combinations” of the forces of production. He suggested five possible combinations: (1) new products or services, (2) new methods of production, (3) new markets, (4) new sources of supply, and (5) new forms of production (Schumpeter, 1934). In particular, Schumpeter emphasised the concept of “innovation”, which for him was the key ingredient of entrepreneurship.

Schumpeter’s definition was later criticised by Austrian scholars von Mises, Hayek and Kirzner. In particular, these economists disagreed with Schumpeter’s notion of the disruption of equilibrium
caused by entrepreneurship. Most notably, Kirzner (1973, pp. 72–73) stated that “Schumpeter’s entrepreneur acts to disturb an existing equilibrium situation... By contrast, my own treatment of the entrepreneur emphasizes the equilibrating aspect of his role”. Concretely, Kirzner (1973, p. 73) argues that the entrepreneur "brings into mutual adjustment those discordant elements which resulted from prior market ignorance". Nevertheless, there has undeniably been a large amount of research in the last two decades which relies on Schumpeter's definition (Bull and Willard, 1993).

In the later decades of twentieth century, scholars continued to attempt to redefine the concept of entrepreneurship. McClelland (1961) defined an entrepreneur as someone with decision-making responsibilities, implying that a manager of a corporation could be entrepreneurial. Leibenstein (1968) described the entrepreneur as a “gap-filler” (someone who overcomes obstacles and market deficiencies) and an “input-completer” (someone who marshals inputs). In a highly influential study, Gartner (1988, p. 11) defined entrepreneurship as “the creation of organizations” in a paper which is viewed as a cornerstone in the history of the search for a definition of entrepreneurship. It strongly criticises the view that entrepreneurship should be viewed in terms of the psychological characteristics of entrepreneurs (see Gartner, 1988), contending instead that it concerns behaviours, not traits. Gartner suggests entrepreneurship researchers should not try to answer the question “who the entrepreneur is”, but “what the entrepreneur does”. This paper has been widely acknowledged in the community of entrepreneurship researchers for its contribution to the driving of the tendencies of imagination, process and organisational emergence in the field (Hjorth and Johannisson, 2008). Shane and Venkataraman (2000) agree with Garner to some extent, contending that it would be incomplete to define entrepreneurship merely in terms of individuals, instead viewing it as a process of discovering and exploiting entrepreneurial opportunities. Nevertheless, it has not gained the status of a universally accepted definition.

Looking at the evolution of entrepreneurship from another perspective, Baumol (1993) outlines two contrasting groups among entrepreneurship researchers. The first group follows Say (1821), considering the entrepreneur to be one who creates and develops new business of one kind or another; the second adopts the perspective of Cantillon (1734) and Schumpeter, who viewed the entrepreneur as an innovator.

While the mainstream of entrepreneurship literature focuses on independent new ventures, a later group of scholars (e.g., Casson, 1982, Amit et al., 1993) suggests that entrepreneurship can occur within existing organisations, a concept which emerged during the 1980s under the name of ‘corporate entrepreneurship’. This present study refers to this as CE. Although Aitken (1963) had much earlier suggested viewing entrepreneurship as an “organisational phenomenon”, until the
1980s entrepreneurship within existing organisations was still considered an impossible practice by some researchers (e.g., Morse, 1986, Duncan et al., 1988). From the 1980s onwards however, others started to extend the boundary of the entrepreneurship paradigm (for example, Burgelman, 1983, Kanter, 1985, Kuratko and Montagno, 1989). Entrepreneurial behaviours within existing firms were increasingly being recognised and studied (Jennings and Lumpkin, 1989), meaning that entrepreneurship was no longer limited to the concept of individual new venture creation (Wortman, 1987, Low and MacMillan, 1988, Covin and Slevin, 1991, Stevenson and Jarillo, 1990). This changing scope of entrepreneurship enabled the concept of CE to emerge (Kanter, 1983, Burgelman, 1983, Pinchot III, 1985).

3.2.2. Definition of Corporate Entrepreneurship

The definition of CE has changed significantly in recent decades (Kuratko and Audretsch, 2013). However, research has been fragmented and a widely-accepted definition remains elusive (Jennings and Lumpkin, 1989, Stopford and Baden-Fuller, 1994, Wortman, 1987). Researchers have referred to it by different names, including intrapreneurship (Pinchot III, 1985), intrapreneuring (Kuratko et al., 1990), corporate venturing (Thornhill and Amit, 2001, Biggadike, 1979), new business venturing (Kilby, 1971), internal CE (Jones and Butler, 1992), and strategic renewal (Guth and Ginsberg, 1990). The notions corresponding to these names are similarly ambiguous (Sharma and Chrisman, 1999).

From the 1980s onwards, researchers extended the concept of CE to the renewal of large firms in their entirety, struggling within their environment (Baumol, 1986, Burgelman, 1983, Kanter, 1989), or the creative renewal and revitalisation of on-going organisations (Schendel, 1990). Since the 1990s, researchers have focused on its potential to re-energise and enhance a firm’s ability to develop the skills through which innovation can be made (Jennings and Young, 1990, Kuratko et al., 1990, Zahra, 1991, Brazeal, 1993, Hornsby et al., 1993, Zahra and Covin, 1995, Barringer and Bluedorn, 1999, Borch et al., 1999). The most widely accepted definition is provided by Guth and Ginsberg (1990), who contend that corporate entrepreneurship encompasses two major types of phenomena: new venture creation within existing organisations, and the transformation of ongoing organisations through strategic renewal. According to Guth and Ginsberg (1990), it includes two separate types of entrepreneurship—internal innovation and venturing, and strategic renewal. Stopford and Baden-Fuller (1994) provided evidence of linkages among three components of CE: individual entrepreneurship, renewal and Schumpeter entrepreneurship. Zahra (1991, p. 262) observed that “CE may be formal or informal activities aimed at creating new businesses in established companies through product and process innovations and market developments.”
Based on these works (Schumpeter, 1934, Gartner, 1985, Stopford and Baden-Fuller, 1994, Zahra, 1993a, Zahra, 1995, Guth and Ginsberg, 1990), Sharma and Chrisman (1999) reconciled the various definitions and provided a classification of the components of CE (see Figure 4). They proposed the following definition:

*Entrepreneurship encompasses acts of organizational creation, renewal, or innovation that occur within or outside an existing organization. Or corporate entrepreneurship can be broadly defined as “the process whereby an individual or a group of individuals, in association with an existing organization, creates a new organization or instigates renewal or innovation within that organization.”*

![Figure 4: Hierarchy of terminology in corporate entrepreneurship](Image)

*Source: Sharma and Chrisman (1999)*

Looking at the elements of this definition more closely, organisational creation is an entrepreneurial concept because it is an activity relating to strategic and structural decisions (Cooper, 1979). Renewal is entrepreneurial activity because it relates to radical changes in the business or the corporate strategy or structure of an organisation. Finally, innovation is also an entrepreneurial activity because it involves new combinations which may alter the bases of competition in an industry or lead to the creation of a new industry (Schumpeter, 1934, Stopford and Baden-Fuller, 1994). The innovation “of the Schumpeter (1934) variety” is also recognised (Corbett et al., 2013); however, Sharma and Chrisman (1999) suggested that, although innovation should be viewed as a condition sufficient for entrepreneurship to occur, it was not a necessary element. As Covin and Miles (1999) suggested, innovation is the single common subject underlying all types of CE, arguing that this is because organisational creation or renewal cannot happen without innovation.
Annex 2 presents the definitions most widely-referred to in the literature.

Recently, there has been a small change in what are widely held to be the components of CE. CE comprises two domains: corporate venturing or strategic entrepreneurship (Morris et al., 2011, Kuratko and Audretsch, 2013) (see Figure 5). Corporate venturing includes activities inside the firm, outside the firm and ones which relate to the creation of a new venture through cooperation between two or more parent firms (Covin and Miles, 2007), which is referred to as corporate venturing. Corporate venturing adds new businesses to the parent firm. Strategic entrepreneurship involves “opportunity-seeking and advantage seeking” activities (Ireland et al., 2003, p. 963). This concept also relates to the large-scale or consequential innovations adopted to pursue competitive advantage (Covin and Kuratko, 2010). Strategic entrepreneurship can take one of five forms, four of which are conceptualised by Covin and Slevin (1991): sustained regeneration, organisational rejuvenation, strategic renewal and domain redefinition.

Although agreement has yet to be reached among researchers and scholars on a definition of CE, a degree of consensus has been reached. The aspects commonly agreed upon include innovation, a propensity for risk-taking, venturing and strategic renewal. The present research largely draws on the definition initially developed by Guth and Ginsberg (1990) and extended by Zahra (Zahra, 1993b, Zahra, 1996a, Zahra and Covin, 1995), which captures three of these: innovation, venturing and strategic renewal.

3.2.3. Corporate Entrepreneurship and its Characteristics

Despite the different definitions of CE, researchers acknowledge its importance as a vehicle for a firm’s growth (Arrow, 1982, Burgelman, 1983). It provides a means of revitalising the ability of a large corporation to innovate (Serpa, 1987, Baden-Fuller, 1995) and compete effectively, and to improve employee morale (Serpa, 1987), providing them with a working environment which
supports growth and giving them the opportunity to use their creative skills (Zahra, 1996a). In turn, these changes enhance the entrepreneurial spirit which helps the company to better acquire capacities (Stopford and Baden-Fuller, 1994), create new revenue streams (Zahra, 1991) in both domestic and foreign markets (Block and MacMillan, 1993), and to generally improve its performance (Lumpkin and Dess, 1996). Antoncic and Hisrich (2001) proposed the intrapreneurship model, discussing its potential antecedents and its organisational consequences (see Figure 6).

**Figure 6: Intrapreneurship model and its effects**

*Source: Antoncic and Hisrich (2001)*

Organisations employ CE for other reasons, including to generate strategic renewal (Guth and Ginsberg, 1990); to enhance local responsiveness; global learning and integration (Birkinshaw, 1997); and to configure resources effectively, as a pathway to developing competitive advantages (Borch et al., 1999, Covin and Miles, 1999, Covin and Slevin, 2000, Ireland et al., 2003). In particular, CE has long been considered a critical means for promoting and sustaining a firm’s competitive advantage and improving its competitive position (Block and MacMillan, 1993, Schollhammer, 1981, Lumpkin and Dess, 1996). Peterson and Berger (1971) identified CE as a means of coping with turbulent market environments, while Burgelman (1983, p. 1355) considered CE to be a kind of “insurance against external disturbances or a safe valve” for internal tensions resulting from pressure for growth. More recently, Ireland et al. (2006) contended that firms were increasingly relying on CE to develop and nurture competitive advantage. Indeed, this is attained mainly through the utilisation of innovation-based initiatives (Corbett et al., 2013). Meanwhile, as earlier researchers have noted, CE can be used to introduce opportunities for innovation to be developed and exploited (Miller, 1983, Khandwalla, 1977); Baden-Fuller (1995) suggested that organisations which want to innovate have to build a high level of CE.
Lastly, CE is also agreed by many to be a means for firms to achieve better company performance (Biggadike, 1979, Zahra, 1991, 1993b, Zahra and Covin, 1995), a role which has been increasingly recognised in the context of globalisation (Garvin and Levesque, 2006, Morris et al., 2011). More recently, in several of his works Kuratko has discussed the significance of CE in relation to achieving such improvements (Kuratko and Audretsch, 2013, Kuratko, 2010, Morris et al., 2011, Kuratko and Audretsch, 2009).

3.3. Corporate Governance Antecedents of Corporate Entrepreneurship

In the following review of the literature, the influence of governance antecedents is discussed in relation to the strategic choices which firms make and their ensuing performance. Although a substantial quantity of corporate governance research into developed economies has been undertaken, very few studies have been conducted in emerging or transition economies. Earlier research on corporate governance in developed economies has however provided a useful foundation for understanding the specific aspects of the linkages between governance and risk-related decisions. This chapter therefore provides a detailed discussion of the literature on related research issues in both developed and emerging, transition economies.

3.3.1. Corporate Governance, Ownership Structure and Related Definitions

Corporate governance is a framework which is used to specify the individuals, committees and groups responsible for monitoring the activities of an organisation with the aims of a) reducing the risk of actions occurring which are harmful to stakeholders and b) promoting the ethical pursuit of maximising shareholder value (Myers and Padget, 2004). Alternatively put, it is “the structure whereby managers at the organization apex are controlled through the board of directors, its associated structures, executive incentive, and other schemes of monitoring and bonding” (Donaldson, 1990, p. 376). More succinctly, corporate governance is associated with the defence of shareholders’ interests through the use of a company’s governance devices (Shleifer and Vishny, 1997, Johnson and Greening, 1999).

The extant literature proposes various mechanisms by which to achieve a convergence of interests between managers and shareholders, such as incentive financial plans, takeover threats, managerial ownership, boards of directors, and other internal and external control systems. Given the results from exploratory study which will be described in detail later in this dissertation, this study focuses on four factors: independent leadership structure, the representation of outside directors, the ratio of top management team (TMT) members on the board, and the size of the board. An independent leadership structure is one where the CEO does not also serve as chair of
the board of directors (Dalton and Kesner, 1987, Rechner and Dalton, 1991) (alternatively, the situation where one person assumes both positions at the same time is known as ‘CEO duality’). The ratio of TMT on the board (which will be referred as ‘TMT board membership’ in the latter part of this dissertation) represents the proportion of total number of board members to the executive (president, CEO, or other senior officers) who earn an income, are part of the company and also serve on the board (Westphal, 1999). Representation of outside directors is the ratio of directors who are not full-time employees of the company to the total number of board members. In addition, as noted earlier, ownership structure is a key determinant of corporate governance (Shleifer and Vishny, 1997). In this study, I focus on three types of ownership structure: managerial ownership, institutional ownership and ownership concentration.

3.3.2. Theoretical Paradigms

Several theoretical perspectives have been used in earlier research to study the effects of corporate governance mechanisms on organisational outcomes such as agency, stewardship, resource dependence, institutional, transaction cost and myopic institutions theories. They are based on distinctly different assumptions about the behaviours and roles of managers, directors and shareholders.

Among these theoretical perspectives, Agency Theory dominates corporate governance research, making assumption that managers are self-serving and individualistic and may manifest opportunistic behaviours at the expense of the interests of shareholders. Agency Theory is the dominant paradigm used in a broad context by organisation scholars (Eisenhardt, 1989a, Gomez-Mejia and Wiseman, 1997). The assumption behind this theory is that individuals are self-interested, risk-averse and bounded by rationality (Eisenhardt, 1989a). Consequently, there exists an incongruence of goals and differences in risk preferences between shareholders and agent managers (Berle and Means, 1932). This divergence in interests results in agency costs, when agents engage in opportunistic behaviours (Fama, 1980, Jensen and Meckling, 1976). Put another way, managers may act in their own interests at the expense of the organisation’s owners (Fama and Jensen, 1983) and make decisions in opposition to shareholders’ interests (Jensen and Meckling, 1976). In traditionally capitalist firms, the owners’ goal is to maximise performance. However, due to different utility functions and risk preferences, managers may wish to pursue growth maximisation via diversification, in order to reduce the risk to their human capital (Jensen and Meckling, 1976). According to Jensen and Meckling, managers tend to be all too aware of employment risks, preferring instead to pursue the goal of building up their own empire (Jensen and Meckling, 1976). Shareholders on the other hand may be risk neutral as a result of their diversified investment portfolio (Fama and Jensen, 1983). However, these assumptions may not hold true in all contexts. Agency Theory assumptions may thus limit the generalizability of
research outcomes and result in the failure to find systematic relationships in studies relating to corporate governance. Its assumptions also seem to over-simplify and unrealistically describe human behaviours (Jensen and Meckling, 1994). Many scholars have therefore called for a re-examination of this theory (Dalton et al., 2003, Daily et al., 2003b, Frankforter et al., 2000, Beatty and Zajac, 1994).

Stewardship Theory was developed by Donaldson and Davis (1991). Opposing Agency Theory arguments, stewardship theorists posit that individuals are motivated not only by self-interest and economic considerations but also by self-actualisation through intrinsic rewards attained through work and the achievement of personal values and goals (Davis et al., 1997a, Donaldson, 1990). The theory states that agents act as an organisation’s stewards whose behaviour is collective, and who are committed to the attainment of company objectives. Stewardship Theory further argues that if the interests of the stewards are not aligned with those of the owners, the stewards will “place a higher value on cooperation than defection” (Davis et al., 1997a, p. 24); they will be more inclined to pursue their organisation’s interests (Donaldson and Davis, 1991) and prioritise them (Tosi et al., 2003). According to Stewardship Theory, managers essentially act as good stewards of corporate assets and are loyal to the company. The theory holds that a manager, when confronted with a course of action seen as personally unrewarding, may nevertheless comply out of a sense of duty and identification with the organisation (Etzioni, 1975).

Institutional theorists posit that the behaviours of individuals and organisations are influenced by institutional logics (DiMaggio and Powell, 1983, Scott, 2001). In particular, Institutional Theory emphasises an organisation’s legitimacy within a social community, arguing that organisations may behave in a way designed to enhance their legitimacy rather than to improve their performance (DiMaggio and Powell, 1983) by conforming to societal norms and values (Meyer and Rowan, 1977, DiMaggio and Powell, 1983).

Resource Dependence Theory considers that a company operates within an open system, dependent on the external environment (Pfeffer and Salancik, 1978b), from which, resource dependence theorists argue that the function of boards of directors is to extract resources (Pfeffer, 1972) in order to manage the organisations’ dependency on it (Pfeffer and Salancik, 1978b); to reduce environmental uncertainty (Pfeffer, 1972); and to co-opt external organisations (Hillman et al., 2000). Each member brings different connections and resources to the board; Pfeffer and Salancik (1978b, p. 163) state that “when an organization appoints an individual to a board, it expects the individual will come to support the organization, will concern himself with its problems, will variably present it to others, and will try to aid it”. The literature identifies four main types of resources which a board can bring to its firm: (1) Advice and counsel to management (Baysinger and Butler, 1985, Lorsch and Maclver, 1989); (2) Reputation and
legitimacy (Hambrick and D'Aveni, 1992); (3) Channels for disseminating information across firms (Useem, 1984); and (4) Assistance in accessing essential resources from the external environment (Hillman et al., 2000, Boeker and Goodstein, 1991). Consequently, in addition to monitoring and controlling function, board of directors are also able to increase the rents generated by bringing about resources to firms.

3.3.3. **Board Governance and Corporate Entrepreneurship**

The following section examines the empirical studies which address the elements of board governance and their relationships with CE and other risk-related investment activities. **Annex 3** presents a summary of a review of literature with theoretical approaches and underlying theoretical assumptions.

3.3.3.1. **CEO Duality**

Agency Theory and Stewardship Theory has been the subject of much debate on the issue of the effectiveness of CEO duality as an internal governance mechanism. On the one hand, Agency Theory maintains that separating the roles of CEO and chairperson is important to limiting potential opportunistic behaviours on the part of the CEO. In contrast, combining the roles of CEO and chair is likely to lead to the manipulation of power and agency problems arising from increased information asymmetry between the CEO and the board. Agency theorists have explained that since the chair has primary responsibility for monitoring board committees, for setting the board agenda, and for stockholders’ meetings (Sundaramurthy et al., 1997), putting these duties in the hands of the CEO may limit the board’s ability to independently monitor the firm’s managers. Alternatively put, the CEO/chairperson is in a position to monopolise board meetings and advance their own agenda to the impairment of the firm (Finkelstein and D’Aveni, 1994). From another perspective, given the fact that the CEO is likely to incline towards maximising short-term gains at the expense of long-term investments, if CEO also holds the position of chair, they have the power to reduce the likelihood of the board approving investments which have long payback periods. Consistent with the arguments of Agency Theory, empirical evidence has revealed unfavourable outcomes for shareholders as a resulting of CEO duality. These include the adoption of lower performance (Rechner and Dalton, 1991, Pi and Timme, 1993), the adoption of “poison pills”² (e.g., Mallette and Fowler, 1992), excessive managerial compensation (e.g., Boyd, 1994), bankruptcy (e.g., Daily and Dalton, 1994), market reaction to the adoption of anti-takeover provisions (e.g., Sundaramurthy et al., 1997).

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² poison pill is “a security issued by the board of directors in order to make hostile takeover more difficult by dramatically increasing the potential cost a hostile acquirer would have to pay.” (Davis, 1991, p. 594)
In contrast, Stewardship Theory offers an argument which demonstrates the positive influence of CEO duality. Stewardship theorists suggest that CEO duality is likely to facilitate pro-organisational actions, given the authority and discretion this structure provides (Donaldson and Davis, 1991), and would as a consequence improve company performance. Donaldson and Davis (1991) analysed the data of 264 firms taken from the Wall Street Journal and found that CEO duality could lead to higher returns for shareholders. Similarly, other studies have indicated that CEO duality can have a positive impact on organisational outcomes (e.g., Muth and Donaldson, 1998, Brickley et al., 1997).

Furthermore, from the perspective of organisational theories (which focus on the issues of leadership, structure, and legitimacy), CEO duality enhances the “unity of the command” and decision-making processes. It can thus be viewed as a “double-edged sword” (Finkelstein and D’Aveni, 1994), in that firms need to choose between the (at times) contradictory benefits and costs of these two structures. In fact, some studies provide evidence which supports neither Agency Theory nor Stewardship Theory, where researchers find no association between CEO—chair separation and company performance (e.g., Brickley et al., 1997, Daily and Dalton, 1992, Daily and Dalton, 1993, Dalton et al., 1998, Chaganti et al., 1985, Cheung et al., 2006, Baliga et al., 1996), most notably in Boyd (1995) and Worrell et al. (1997).

The findings of the studies in emerging and transition economies, most of which have been conducted in China, are also contradictory. Some present evidence of a negative impact (e.g., Bai et al., 2004, Song et al., 2006), whereas others indicate positive influences (e.g., Tian and Lau, 2001, Peng et al., 2007). In addition, some studies report no significant associations between CEO duality and company performance (e.g., Wu et al., 2001, Dong-zhi and Li-ri, 2002, Elsayed, 2007). Most notably, in a study in China, Peng et al. (2007) find that CEO duality, on the one hand, enhance firm performance in SOEs and on the other hand, can weaken firm performance in privately-owned enterprises. This finding indicates that in the context of transition economies, combined role may be better in state-owned environment than in privately-owned one.

Alternatively, state ownership plays a role in the effects of CEO duality on organisational outcomes in the transitional context. The finding provides an important base to develop the hypothesis for testing the characteristics of CEO duality in Vietnamese privatised firms later in Chapter 4.

To summarise, the relationship between CEO duality, long-term strategic decisions, and company performance has been widely investigated, with the findings are quite mixed and inconclusive (Dalton et al., 1998). It could be seen that Agency Theory is the dominant perspective employed in previous scholarly work. Moreover, little research has been dedicated to the effect of duality on CE or other long-term strategic decisions, either in developed or developing countries. The
research by Zahra et al. (2000b) is a very rare study on this specific linkage, offering evidence for the negative effect of duality on CE. As such, it will be interesting to see whether the associations between CEO duality and CE existing in developed economies are present in transition economies and whether agency theory can be appropriately applied in these contexts.

3.3.3.2. **Representation of TMT Members**

There are two main perspectives employed to explain the impact of executive directors—Stewardship Theory and Agency Theory. Before reviewing literature, it is essential to note that insiders include a firm’s management, employees, provincial officials and their friends (Gainsborough, 2009). TMT board members are executive officers who serve a firm’s board of directors. Although “insiders” are technically not only TMT members, these two definitions overlap to a certain extent. Therefore, the review of literature is based on these two terms.

Agency theorists argue that managers tend to shirk responsibilities and make decisions that are against the shareholders’ interest (Jensen and Meckling, 1976). Arguably, the greater number of TMT members sitting on the board, the more conflicts between the board and shareholders emerge. Also, because top executives are more likely to be risk-averse and short-term-oriented, higher TMT board representation may result in the decreased likelihood of the board engaging in investments. As such, prior studies that are in line with Agency Theory contend that the board of directors should not be dominated by insiders (e.g., Fama and Jensen, 1983, Vance, 1983).

On the other hand, some prior studies provide empirical evidence that is counter to the argument of Agency Theory. Hill and Snell (1988) find that the insider/outsider ratio is positively associated with R&D. The authors argue that insiders are better than outsiders in achieving multifunctional coordination and in facilitating interdepartmental communications. Similarly, Baysinger et al. (1991) also find that the higher insider representation, the more R&D spending. These authors argue that insiders tend to have more data and better tacit knowledge of the firm than outsiders. In this same vein, based on the arguments that the insiders are more advantageous than outsiders, Zahra (1996a) suggests that outside directors are negatively related to CE.

Another stream of research finds the positive impact of TMT board membership on firm performance in IPO firms supports Stewardship Theory (Kroll et al., 2007, Arthurs et al., 2008, Walters et al., 2010). Kroll et al. (2007) find that the ratio of original TMT members and board members positively affects performance of post-IPO firms. They argue that, when the firms are more likely to be vulnerable in the time of IPO, TMT directors are less likely to be self-serving, risk-averse and short-term-oriented. In the same vein, Arthurs et al. (2008) argue that TMT board directors could reduce agency costs via the monitoring of the services they provide. They find a negative relationship between the proportion of inside directors and the amount of IPO underpricing. Additionally, Walters et al. (2010) find that TMT board representation has a positive
impact on firm performance after its initial public offering (IPO). The authors argue that in young and entrepreneurial firms at the time of IPO, TMT board members could behave as stewards who are more intrinsically motivated. Therefore, they are more willing to take risks. However, the relationship is positive only to a point.

In summary, extensive research fails to generate universal findings. Some studies support Stewardship Theory and find a positive impact of TMT board membership on corporate outcomes. In contrast, other studies support Agency Theory and find that insiders are not significant to organisational outcomes.

3.3.3.3. Representation of Outside Directors

Agency Theory argues that non-executive independent directors are more likely to monitor management intensively than insiders. In essence, a board with more independent directors would be more likely to review company performance (Dalton and Dalton, 2005); to objectively question and evaluate management (Kesner and Johnson, 1990); and to supervise audit and risk assessment programmes (Köhler, 2005). Effective board independence occurs when outside directors make decisions without executive management approval (Dalton & Dalton, 2005b; Sherwin, 2003). Westphal and Khanna (2003) suggested that independent boards should have more outside directors who can ask pointed questions of executive management without concern for the relationship between board members and managers. In this way, an independent board will benefit a company through its better monitoring of management, limiting managerial opportunism and protection of the interests of shareholders (Helland and Sykuta, 2005).

A number of studies found positive relationships between board vigilance and a) The company’s strategic choices (e.g., Sanders and Mason, 1998, Hoskisson et al., 2002); b) Firm performance (e.g., Daily and Dalton, 1993, Baysinger and Butler, 1985, Pearce II and Zahra, 1992); c) The likelihood of CEO turnover in poorly performing firms (e.g., Weisbach, 1988); and d) A lower probability of paying greenmail in a control contest3 (e.g., Kosnik, 1990).

In contrast, some studies have shown that a higher number of outsider members appointed to a board results in poor performance (e.g., Bhagat and Black, 1999); low Tobin’s Q (e.g., Agrawal and Knoeber, 1996, Yermack, 1996, Kiel and Nicholson, 2003); a decrease in company value (Klein, 1998); and the company being subjected to shareholder suits (e.g., Kesner and Johnson, 1990). Addressing the issue of long-term investments, some studies outline how outsider

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3 Greenmail is “a company’s private repurchase of a block of its stock from a minority stockholder at a premium above the market price” (Kosnik, 1987, p. 164). “The decision to pay greenmail is used as proxy for the board’s ineffectiveness” (Kosnik, 1987, p. 163).
membership of the board increases R&D expenditure (e.g., Hill and Snell, 1988) and board involvement in strategic decision-making processes (e.g., Judge Jr and Zeithaml, 1992, Johnson et al., 1993). In the same vein, Baysinger et al. (1991) indicated that the presentation of inside directors positively influenced R&D spending. Similarly, Zahra (1996a), referring to a sample of firms listed on Fortune 500 of 1988, and Zahra et al. (2000b), referring a sample of medium-sized manufacturing companies, showed significant and negative relationships between the presence of outside directors and CE. The authors indicated that outside directors are less likely to contribute to a firm's strategy than inside directors because insiders possess more and better information than outsiders so that they are in better position to evaluate the long-term projects. The reason explained was also because outsiders tend to lack the time and ability to engage in a firm's strategic decisions, as Patton and Baker (1987, p. 11) pointed out that outside directors may be not able “to understand each business well enough to be truly effective.”

On the other hand, some studies shows that there is no significant relation between the outsider ratio and company performance (Hermalin and Weisbach, 1988, Chaganti et al., 1985). Also, some studies find no link between outside membership and strategic choice such as R&D spending (e.g., Kor, 2006) or internal innovation (e.g., Hoskisson et al., 2002). In particular, Dalton et al. (1998) reviewed 54 studies and concluded that the proportion of outside directors had no significant effect on financial performance. At the same time, other studies have presented alternative conclusions regarding the effect of outside ratio on different indicators of company performance (e.g., Kesner, 1987, Schellenger et al., 1989, Klein, 1998, Pearce II and Zahra, 1992, Daily and Dalton, 1992). It is suggested that industry-environmental characteristics is correlated to outsider orientation (Pfeffer, 1972). Therefore, each industry presents certain conditions and firms respond to those conditions differently through their appropriate board structure (Chaganti et al., 1985).

Interestingly, there was a consensus among studies of emerging markets to a certain extent that outside ratios positively influence company performance (e.g., Lin et al., 2009, Omran, 2009). Tian and Lau (2001) presented a positive relationship between outside ratio and performance, with the exception of the dependent variable of ROA. Most notably, Peng (2004) found that only affiliated outside directors have an influence on company performance, and then only on sales growth, indicating that the influence of outside directors in relation to institutional transition may be more complex than it seems.

In summary, research on the role of outside directors is relatively inconclusive. However, it appears that monitoring ability of outside directors is more likely to outweigh their disadvantages due to insufficient information and time, typically in developed economies. For transition and emerging economies, the picture is even less clear so that more research is needed in order to
achieve greater understanding of the relationship between outside directors and organisational outcomes (Peng, 2004).

### 3.3.3.4. Board Size

Among the different elements of boards of directors, board size is considered vital for keeping a check on management activities. Agency Theory and Resource Dependence Theory are the two main theoretical backgrounds employed by earlier researchers to explain the effects of the size of the board on its organisational outcomes.

An agency perspective supports small boards. Jensen (1993) and Lipton and Lorsch (1992) argued that large boards may be less efficient in solving the agency problem among board members. Hermalin and Weisbach (2003) agreed and emphasised that “The idea is that when boards become too big, agency problems (such as director free-riding) increase within the board and the board becomes more symbolic and less a part of the management process.” Some argue that factions and coalitions leading to group conflict are more likely to occur in larger boards.

Moreover, factionalism is worsened when a board’s tasks become more difficult and ambiguous (Goodstein et al., 1994). A large body of literature on board size supports smaller boards. The negative relationship between larger board size and company performance has been demonstrated in several studies (e.g., Hermalin and Weisbach, 1991, Yermack, 1996, Huther, 1997, Eisenberg et al., 1998, Barnhart and Rosenstein, 1998, Conyon and Peck, 1998, Bøhren and Ødegaard, 2001, Cheng, 2008). These found smaller boards to be more cohesive and more effective at decision-making. Notably, smaller board size has been found not only to reduce agency problems and costs, but also to diminish the free-rider issues associated with larger boards (Hermalin and Weisbach, 2003). With respect to risk-taking activities, R&D investment, innovation and CE, fewer studies have been carried out. Wallach et al. (1964) identified that the increased size of a decision-making group to be associated with a firm’s risk-taking. Sah and Stiglitz (1991) contended that group decision-making usually gives rise to diversified opinions. Similarly, Yermack (1996) also suggested that larger boards tended to be biased against risk-taking.

In contrast, Singh and Harianto (1989) pointed out that a larger board size may enhance corporate governance by reducing the dominance of the CEO and the consequent opportunities for them to obtain board approval for decisions which do not converge with shareholder interests. According to Zahra and Pearce (1989), larger boards can be more effective in their overseeing duties, effectively monitor actions of top management, and be less dominated by the CEO. From a resource dependence perspective, extant research suggests that increased size and diversity may produce benefits by creating a network in the external environment, and by obtaining critical resources (Pfeffer, 1973, Pearce II and Zahra, 1992). This argues that more members bring more monitoring resources, possibly improving company performance (Alexander
et al., 1993, Goodstein et al., 1994, Pfeffer, 1972, 1973). In fact, Provan et al. (1980) showed that board size is related to a firm’s ability to obtain important resources. Many positive associations were found between board size and performance (Vance, 1964, Chaganti et al., 1985, Dalton et al., 1999). For example, larger boards can spend more time and effort monitoring and advising management (Lipton and Lorsch, 1992, Monks and Minow, 1995). Kiel and Nicholson (2003) and Dalton and Dalton (2005) also hold the view that a larger board size increases board diversity in terms of experience, skills, style of management and opinions, leading to more effective monitoring. Indeed, in their meta-analysis study, Dalton et al. (1999) asserted that larger boards increase company performance in both large and small firms.

Another set of studies has demonstrated that the relationship between board size and organisational outcome follows an inverse U-shaped curve (e.g., Golden and Zajac, 2001). The underlying notion is that at some point issues of coordination outweigh the advantages of having more people and resources to draw upon. Jensen (1993, p. 865) observes that, “when boards get beyond seven or eight people, they are less likely to function effectively and are easier for the CEO to control.” Similarly, Vafeas (2000) found that where the size of a board was up to five members, internal profitability matters were better informed and therefore the firm’s activities were better monitored, leading to higher performance. Other studies identified different types of relationships such as nonlinear ones (e.g., Bennedsen et al., 2004); one which varied with the type of performance measures used (e.g., Bhagat and Black, 2001) or ones which had no significant correlation (e.g., Baysinger and Butler, 1985, Hermelin and Weisbach, 1991).

Several studies have found negative effects of board size in publicly-traded firms in other countries, such as Conyon and Peck (1998) in the UK, France, the Netherlands, Denmark and Italy, Mak and Li (2001) in Malaysia and Singapore, Haniffa and Hudaib (2006) in Malaysia, and Loderer and Peyer (2002) in Switzerland. In contrast, Black et al. (2006a) report insignificant effects in Korean firms. On the other hand, the positive effect of board size in Australia was observed by Kiel and Nicholson (2003).

Taken together, an examination of the literature in this area presents a general view that the negative effect of large board size outweighs the positive effect, typically in developed economies. As Hermelin and Weisbach (2003) conclusively point out, “The data therefore appear to reveal a fairly clear picture: board size and firm value are negatively correlated.” Unfortunately, very little or possibly no research on board size has been carried out in the context of transition economies. Finding available data is likely to present a big hurdle to this. Given the importance and lack of understanding of board size in these contexts, it is believed that this present study will help to fill this gap.
3.3.4. Ownership Structure and its Effects on Corporate Entrepreneurship

Ownership structure is another important internal governance characteristic that, along with corporate boards, may have an impact on a firm’s strategic investments and performance. A large body of research in management and economics has examined the links between ownership structure, managerial behaviours, and company performance, stock market reactions, and earnings management (see Daily et al., 2003a for a comprehensive review). This study selects the ownership structures which arise from the exploratory study and which may have significant impacts on CE in Vietnamese privatised firms; these include managerial ownership, institutional ownership and ownership concentration.

3.3.4.1. Managerial Ownership

Jensen and Meckling (1976) argued that agency costs arising from opportunistic management behaviour decline when management stockholdings increases. According to them, managerial ownership prevents managers from diverting resources away from shareholder value maximisation. Agency theorists also assert that insider equity can motivate managers to solve asymmetric information problems about investment opportunities. This perspective has received considerable empirical support from previous studies through positive relationships between managerial ownership and company performance or strategic choices, including financial disclosures (e.g., Gelb, 2000), accounting choices (e.g., Warfield et al., 1995), takeover resistance (e.g., Sundaramurthy, 1996), restructuring (e.g., Johnson et al., 1993), risk taking (e.g., Saunders et al., 1990, Eisenmann, 2002), CE (e.g., Zahra, 1996a), diversification strategies (e.g., Denis et al., 1999), CEO—board relationship (e.g., Westphal, 1999); and firm performance (e.g., Chung and Pruitt, 1996, Mehran, 1995, Palia and Lichtenberg, 1999, Chen et al., 2003, Florackis et al., 2009, Hambrick and Jackson, 2000). With respect to the effect of managerial ownership on risk-taking, Hill and Snell (1988) empirically found that insider equity ownership limits the influence of diversification efforts on firms. Their view was that insiders tend to undertake additional diversification when their incentives are not congruent with shareholder interests. Using the context of banking firms, Saunders et al. (1990) found some evidence that the portion of shares held by banking firm managers was positively associated with bank risk. In the same fashion, Chen and Steiner (1999) reported that managerial ownership is a positive determinant of risk level.

While the concept of “alignment of interests” argues for a positive relationship (Jensen and Meckling, 1976), another strand of research identified a number of negative effects of managerial ownership (e.g., Jensen and Warner, 1988, Finkelstein and Hambrick, 1989). These studies support the managerial risk aversion or entrenchment hypothesis (Amihud and Lev, 1981, Agrawal and Mandelker, 1987), which maintains that management stockholdings can protect managers from the influence of the market for corporate control because substantial stakes
means they can possess substantial voting power, enabling them to guarantee their salaries or career (Fama and Jensen, 1983, Demsetz, 1983, Gibbs, 1993). These studies conclude that the impact of managerial ownership on corporate performance is negative, but only when it is present at a high level. In contrast, negative relationships are recognised to occur where managers adopt a diversification strategy as a proxy for reducing risks, when they have a greater stake or power in the company (Amihud and Lev, 1981, May, 1995). More recently, Latham and Braun (2009) found that managers with a greater degree of ownership in poorly performing firms appeared to reduce R&D spending at a quicker rate than peers with less ownership. In the meantime, many other studies have found no link between managerial ownership and company performance (e.g., Demsetz and Lehn, 1985, Hill and Snell, 1989, Himmelberg et al., 1999, Cho, 1998, Agrawal and Knoeber, 1996, Loderer and Martin, 1997, Rose, 2005, Sundaramurthy et al., 2005, Cheung and Wei, 2006, Benson and Davidson lii, 2009). Many researchers employ adjustment cost approach to explain why there is no relation between insider ownership and firm performance. Agency theory assumes that because there is no adjustment cost, firms can continuously recontract. On the contrary, Demsetz (1983) assumes that because the adjustment costs are large, firms cannot recontract even when incentives are not aligned. Therefore, insiders only change their equity ownership infrequently. As a consequence, their actual ownership may deviate from optimal levels. As a result, when adjustment cost is integrated, no relation is found between managerial ownership and firm performance.

It has also been shown that managerial ownership has a non-monotonic relation with company performance (e.g., Chen et al., 1993, Morck et al., 1988, McConnell and Servaes, 1990, Hermalin and Weisbach, 1991, Barnhart and Rosenstein, 1998, Griffith, 1999, Short and Keasey, 1999, Weir et al., 2002, Stulz, 1988). These studies show that firm performance increases as the level of managerial ownership rises from zero and firm performance declines when managerial entrenchment begins to take effect. Likewise, Wright et al. (1996) found that similar evidence supported Entrenchment Theory and found that executive ownership is positively related to decisions that are inconsistent with growth-oriented risk-taking behaviours when insiders own substantial stakes. Non-linear relations between managerial ownership and company value have been found in the context of other countries, such as the United Kingdom (e.g., Short and Keasey, 1999). Interestingly, other complicated forms of this relationship are presented in several studies, including W-shaped relationships (e.g., Hermalin and Weisbach, 1991, Cui and Mak, 2002) or two-humped curves (e.g., Davies et al., 2005). The complexity of this relationship can be seen more clearly in the study by Demsetz and Villalonga (2001) which demonstrated the differences across studies in this area.

To summarise, empirical results from previous research into the effects of managerial ownership on firm performance and on long-term strategic choices have been mixed and are inconclusive.
McConnell and Servaes (1990) find that the difference in the findings was due to differences in the samples, indicating that the effects of managerial ownership are not universally the same for every context. Notably, relatively few studies consider the association between managerial ownership and organisational outcomes in transition or emerging economies although in the context of China, Lins (2003) and Wu et al. (2008) provide evidence that the relationship between managerial ownership and company performance or risk-taking decisions is curvilinear. There is thus a need for further examination (and to obtain further evidence) of the relationship between managerial ownership and CE in this regard.

3.3.4.2. **Institutional Ownership**

Together with managerial ownership and debt leverage, which some view as two potential mechanisms to mitigate the agency problem (Grossman and Hart, 1982, Morck et al., 1988, McConnell and Servaes, 1990, Harris and Raviv, 1991), institutional ownership is also considered to be an alternative monitoring mechanism for reducing agency costs (Bathala et al., 1994, Huddart, 1993). The positive relationship between the two is explained by the “efficiency augmentation” perspective, which is based on two arguments: the superior investor hypothesis and the active investor hypothesis (Chaganti and Damanpour, 1991, Hansen and Hill, 1991). Advocates of the superior investor hypothesis argue that institutional investors have better knowledge and capability to evaluate firm performance, and often hire professionals to assess their investments. Superior investor view also contends that institutional investors tend to have the incentive and ability to proactively monitor management. In support of this hypothesis, several studies provide evidence of the positive impact of institutional ownership on firm performance (e.g., McConnell and Servaes, 1990, Grossman and Hart, 1980, Guercio and Hawkins, 1999) and other organisational issues, such as restructuring (e.g., Bethel and Liebeskind, 1993, Johnson et al., 1993); corporate political activity (e.g., Hadani, 2012), management turnover in poorly-performing firms (e.g., Kang and Shivdasani, 1995); and not voting for anti-takeover provisions (e.g., Brickley et al., 1988, Sundaramurthy, 1996, Stulz, 1988) or a negative impact on bankruptcy status (e.g., Daily and Dalton, 1994). With respect to risk-bearing decisions, prior studies have also provided profound evidence in support of the positive effect of institutional ownership on strategic choices (e.g., Baysinger et al., 1991, Hansen and Hill, 1991, Bushee, 1998, Wright et al., 1996, Graves, 1988, David et al., 2001, Tihanyi et al., 2003). Specifically, many have found that institutional shareholding induces more expenditure for R&D (Hansen and Hill, 1991, Baysinger et al., 1991, Wahal and McConnell, 2000) or innovation (Aghion et al., 2009). Hansen and Hill (1991) provided one explanation that because institutional investors are often locked in to their substantial stakes which may cause high costs of exit, they tend to use their influence and power to encourage managers to be involved in more long-term investments.
On the contrary, the negative effects are supported by the “efficiency abatement” perspective, which is based on opposing arguments: investors are passive, myopic and collusive (Drucker, 1986, Jacobs, 1991). There is some empirical evidence supporting this view through negative associations between institutional ownership and organisational outcomes. Specifically, negative relationships have been found between institutional ownership and corporate social performance (Graves and Waddock, 1994), R&D spending (Graves, 1988) and R&D intensity (Chowdhury and Michael Geringer, 2001), adopting a “poison pill” (Mallette and Fowler, 1992). It has been argued that such negative relationships are partially due to managers sometimes being put under pressure by institutional investors for successful short-term performance (Johnson and Greening, 1999). Alternatively, others claim that institutional investors may collude with managers because of business relations with the focal firm (Black, 1992, Pound, 1988).

At the same time, a body of research exists which discredits both efficiency abatement perspective and efficiency enhancement perspective (e.g., Craswell et al., 1997, Loderer and Martin, 1997, Agrawal and Knoeber, 1996, Sundaramurthy et al., 2005). Moreover, Sundaramurthy et al. (2005) in a meta-analysis study find that there are no associations between institutional ownership and financial performance. Interestingly, Zahra (1996a) found that long-term (short-term) institutional ownership is positively (negatively) related to innovation and venturing. In the same vein, Zahra et al. (2000b) found a positive relationship between institutional shareholdings and CE; however, the effect varied according to the types of investors involved (i.e. pressure-resistant versus pressure-sensitive). The findings indicate that both the role and characteristics of institutional investors differ so greatly that we should not consider them, as a generic term. Different types of institutional investors have different investment horizons; differing according to context.

In sum, the review of literature shows that institutional investors are not myopic as theorised in the majority of the cases, especially in developed economies. It seems that more plausible evidence on the long-term preference of institutional investors provides support for the view that firm performance and strategic decisions may be influenced by institutional investors in a positive way. On the other hand, the findings are quite mixed across industries, suggesting that industry factors may be necessary to explain the impact of institutional ownership on organisational outcomes (Hansen and Hill, 1991). It is suggested that contingency theories should be adopted to explain these relationships. Moreover, roles and characteristics of institutional investors are so different that we should not consider them as one, as a generic term. Different types of institutional investors have different investment horizons; they differ according to context. Therefore, although the influence of institutional investors appears to be positive in developed economies, little is known about their role in the context of transition economies. This
dissertation therefore investigates the influence of shareholding owned by these investors, and as such represents an initial probe into this area.

3.3.4.3. Concentrated Ownership

The concentration of ownership is one of the effective mechanisms for reducing agency problems caused to firms by the separation of decision-making functions and risk-bearing propensities (Demsetz, 1983). According to some agency theorists (Jensen and Meckling, 1976, Fama and Jensen, 1983), dispersed ownership leads to “free-rider” issues, creating a situation where no individual has sufficient ownership to provide an incentive to monitor management and invest in the information costs necessary to ensure management act in shareholders’ interests. As a result, a situation can exist where a large number of individuals, each possessing only a small proportion of a company’s ownership, collectively has little impact on organisational decisions (Fama and Jensen, 1983). In contrast, when ownership is more concentrated, the free-rider problem may still exist among small stockholders, but large stockholders have both the incentive and the power to restrain self-serving management behaviour (Maug, 1998); to effectively monitor management performance (Grossman and Hart, 1980, Hill and Snell, 1988); and to bring about changes beneficial to the company (Hoskisson et al., 2002). Importantly, Hoskisson et al. (2002) indicate that large shareholders can help mitigate poor strategic decisions, such as diversification, or reduced involvement in restructuring. Some studies have shown that firms with concentrated ownership perform better (Claessens and Djankov, 1999, Prowse, 1992, Shleifer and Vishny, 1997); some suggest that ownership concentration is positively associated with productivity, but is not related to accounting profit rates (Demsetz and Lehn, 1985, Hill and Snell, 1988). With respect to the relationship between ownership concentration and risk-taking activities, some studies have found a positive impact of concentrated ownership on company investment in R&D (e.g., Hill and Snell, 1988, 1989, Francis and Smith, 1995, Baysinger et al., 1991, Lee and O Neill, 2003) and corporate structuring (e.g., Bethel and Liebeskind, 1993). In the same vein, Davis (1991) showed that ownership concentration reduces the adoption of a “poison pill”.

Nevertheless, situations still exist where large shareholders collude with managers to expropriate the interests of minority shareholders. This is known as “tunnelling” (Johnson et al., 2000). Shleifer and Vishny (1997) contend that concentrated ownership by a handful of controlling shareholders leads to the problem of those shareholders giving themselves preferential treatment at the expense of small shareholders. Once shareholders take control of the company, they frequently represent their own interests by taking advantage of the company’s resources and in turn violating minority investors’ rights. This conflict between large and small shareholders is the so-called principal—principal (PP) agency problem. As La Porta et al. (2000) noted, the major agency problem in most large companies throughout the world is not one of management
violating the rights of outside investors, but controlling shareholders taking away the rights of small shareholders. This can be viewed as one of the central agency problems in most countries (Claessens et al., 2002) but it is even more serious in countries where the rights of minority shareholders are not well protected (La Porta et al., 2000, La Porta et al., 2002). Agrawal and Knoeber (1996) demonstrated the negative relationship between block shareholding and Tobin’s Q.

Given the specific institutional context of transition economies, the concentrated ownership structure is quite common. Past empirical evidence supports the view that concentrated ownership has a positive effect on company performance in the case of Russia (Blasi and Shleifer, 1996), the Czech Republic (Claessens and Djankov, 1999), Ukraine (Dean, 2000) and China (Xu and Wang, 1999). Some studies show that concentrated ownership by large-block shareholders has a positive effect on innovation (Mahmood and Mitchell, 2004). On the other hand, a U-shaped relationship has also been found in the context of China by Lin et al. (2009). However, Young et al. (2008) provide interesting evidence of PP conflict by synthesising prior research, arguing that the relationships between concentrated ownership and its organisational outcomes in emerging and transitional contexts remain debatable. An examination of this relationship in Vietnamese privatised firms therefore would provide additional insights into this issue in a new interesting context.

3.3.5. Board Monitoring

Because of its importance, the monitoring role of boards of directors has been the focus of extensive corporate governance research (e.g. Hermalin, 2005; Johnson, Daily, and Ellstrand, 1996; Monks and Minow, 2004). Many empirical studies utilise board composition and structure variables as proxies for board monitoring (Kroll, Walters, and Wright, 2008). Such studies are based on the assumption that boards of directors can influence corporate strategy and performance by exerting independent control and effectively monitoring management on behalf of shareholders (Westphal and Zajac, 1997). However, there is more to understanding the monitoring function of boards than merely observing their composition and structure (Tuggle et al., 2010). More importantly, they cannot be the main function of board monitoring in stewardship context.

Whereas the assumption of the independence of the board, rooted in Agency Theory, is dominant in the research stream on board monitoring, both a meta-analysis and a literature review of prior research have failed to provide support for the relationships between outside ratio and organisational outcomes (Dalton et al., 1998, Dalton et al., 2007). Consequently, recent studies pay more attention to the monitoring model of corporate governance by examining the relationships between boards of directors and CEOs (Boyd, 1994, Westphal and Zajac, 1995). A
director’s monitoring function usually includes activities such as overseeing strategy implementation (Rindova, 1999, Fama and Jensen, 1983), evaluating and rewarding the CEO and top executives of the firm (Conyon and Peck, 1998), and planning CEO succession (Pitcher et al., 2000). The board’s executive monitoring power is also reflected in the fact that it does not defer to managers or ‘rubber stamp’ managerial decisions (MacAvoy and Millstein, 1999), but rather scrutinises the impact of the CEOs’ strategic decisions (McDonald et al. 2008).

In support of Agency Theory, some writers found that the scrutiny on the part of directors of CEO strategy formulation can enhance their ability to evaluate the impact of the CEO’s strategic decisions on firm performance (Tosi and Gomez-Mejia, 1994, Westphal, 1999). Specifically, using a sample of 600 companies from the Forbes 1000 index of industrial and service firms in the United States, Westphal (1999) found that board monitoring of CEOs had a positive impact on both return on equity and market-to-book value.

On the other hand, others maintain the view that boards can contribute to the strategy of firms not only by monitoring management performance, but also by supporting for managers in the process of strategy formulation (Johnson et al. 1996, Lorsch, 1989). Indeed, Gulati and Westphal (1999) found that control of the CEO by the board of directors has a negative impact on the likelihood of the focal firm and outside directors’ home companies forming an alliance. The authors explained that board control reduces trust between top managers and directors. In the same vein, Westphal (1999) supports Gulati and Westphal’s (1999) findings by providing evidence that CEO-board relationships may help to promote an active board role by encouraging collaboration between managers and outside directors in decision making.

In fact, there have ongoing debates regarding the “paradoxes of governance” between control and collaboration (Sundaramurthy and Lewis, 2003), which are based on two contrasting theories—Agency and Stewardship Theory. Sundaramurthy and Lewis, 2003 demonstrate that effective corporate governance requires not only control but also collaboration. Westphal (1999) provided empirical evidence that control and collaboration between CEO and board of directors are independently and positively associated with firm performance.

Studies which have investigated the relationship between the monitoring behaviour of the board and organisational outcomes (e.g., Westphal, 1999, Gulati and Westphal, 1999) have mainly been based on developed economies. It will be interesting to investigate this relationship in the context of a transition economy where stewardship culture appears to be more prevalent and trust is an important factor in business relationships (Nguyen and Rose, 2009).
3.3.6. **Moderating Effects of Environmental Uncertainty**

Across industries, there are substantial differences in environmental conditions which exert an influence on firms. Prior studies have provided evidence that executives’ perceptions of external environment influence their risk-taking propensity, innovativeness and evaluation of future performance (Zahra and Pearce, 1990, Zahra, 1993b, Doty et al., 1993). Those perceptions frame the strategic choices of managers, believed to be appropriate to deal with environmental conditions (Bourgeois III, 1985, Prahalad, 2004). Indeed, Miller (1987) argued there should be some common relationships between environmental and strategic dimensions. Miller and Friesen (1982a) found differences between conservative and entrepreneurial firms and the ways they coped with their environments, the implication being that the strategies adopted by different organisations vary according to the environmental conditions each experience. Put another way, the environment may be a significant moderator of relationships between corporate governance, ownership structure and organisational outcomes (Goll and Rasheed, 2004). This environmental moderating impact on the relationships between corporate governance and ownership has rarely been examined (Zahra, 1996a); some prior work has indicated that it exists upon relationships between corporate governance, ownership structure and organisational strategies or performance (Zahra, 1996a).

Several dimensions have often been employed to characterise the environment and capture executives’ perceptions of it (Miller and Friesen, 1982b, Zahra and Pearce, 1990). Tsai et al. (1991) argued that the three key environmental dimensions of dynamism, heterogeneity and hostility may exert an influence upon CE. The following section reviews studies of the impact of these three dimensions of the external environment on organisational outcomes, as well as the moderating effects of environmental conditions on the relationships under this study.

Several instruments have been published to measure environmental uncertainty. Dess et al. (1990) summarised the empirical environment dimensions proposed and developed by researchers (see Annex 16). Some studies examine the industry’s effects using objective measures, some using subjective measures or a combination of the two. Many researchers (e.g., Perrow, 1970, Child, 1972, Duncan, 1972) who have investigated the concepts of environment and uncertainty and showed that perception of uncertainty, rather than actual uncertainty, is the important determinant in decision-making and strategy formulation processes in organisations. Bourgeois (1980) concluded that the issue is not whether measures should be objective or perceptual; rather, he suggests that both objective and perceived environments are real and relevant from a strategic management viewpoint.

In addition, some researchers use one dimension (Bourgeois III, 1985, Tosi et al., 1973) while others apply multiple dimensions (Duncan, 1972, Dess and Beard, 1984). They also suggested that
the measure of multiple environmental variables could reduce inaccurate interpretation and therefore should be included. In this study I thus use multiple dimension variables to measure the environment.

For dimension selection, Dess et al. (1990) noted that “dimensions on which at least some consensus exists should be chosen.” They also suggested that “Among the dimensions that could be selected are the three supported empirically by Dess and Beard (1984): munificence, dynamism and complexity (heterogeneity).”

Due to the unavailability of industry-related data in Vietnam, such as industry sale, the environment is here viewed as a perceptual construct. It has been long recognised how managers perceive their environment is more critical and dependent upon variables subject to managerial control than archival measures of the environment (Hambrick and Snow, 1977, Miller, 1988). Perceptual measures thus enable researchers to view a firm’s environment from the perspective of organisational members or key respondents (Boyd et al., 1993).

3.3.6.1. Dynamism

The concept of dynamism refers to the changes in the company environment (Miller and Friesen, 1982b, Milliken, 1987) which result from, among others, the entry or exit of competitors, changing customers’ needs, developments in technology (Boyd et al., 1993), fluctuations in product demand or supply of materials (Jansen et al., 2006). Environmental dynamism is characterised by the unpredictability of environment (Dess and Robinson, 1984). Changes in the environment may create opportunities, but they also create threats and pose challenges to ventures, increasing uncertainty for individuals and firms operating within that environment (Duncan, 1972, Milliken, 1987, Dess and Robinson, 1984). Dynamic environments can make existing products and services obsolete and compel firms to develop new ones, enter new markets, and find new customers (Sorensen and Stuart, 2000, Jansen et al., 2006, Zahra and Bogner, 1999). Dynamic environments can compel some companies to increase their investment in R&D to create new products, and often provide a boost to involvement in pioneering, targeting of emerging segments, and preventing rival entry (Utterback, 1994). In summary, dynamic environments have been found to facilitate entrepreneurial behaviours (Miller et al., 1988, Khandwalla, 1977).

Only a handful of studies have focused on the moderating effect of environmental dynamism on corporate governance—strategy relationships. Peng et al. (2007) suggested that CEO duality in China had a positive association with company performance and that this is stronger under conditions of greater environmental dynamism. Li and Simerly (1998) found that increased insider ownership may lead to higher performance in highly dynamic environments. Tan (2001) found that
CEO duality had no impact on company performance during 1995 and 1996 when the environment was relatively calm, but in the year of 1997 when the environmental munificence is higher, its impact was significantly positive.

### 3.3.6.2. Heterogeneity

The concept of heterogeneity indicates the perceived complexity of a company’s external environment (Boyd et al., 1993, Slater and Narver, 1994). This is characterised by the diversity of the market segments within an industry (Dess and Beard, 1984, Zahra, 1991) and results from the industry’s regular conditions and a company’s strategic choices. Heterogeneity may also result from the industry’s evolution, which creates new market segments (Miller et al., 1984). Environmental heterogeneity challenges companies to sustain a broad line of products to respond to the diversity of customer needs and exerts pressure to innovate and seize the opportunities which heterogeneity brings. In addition, as heterogeneity strengthens managers’ perceptions of environmental complexity, managers tend to perceive more of the firm’s discretionary slack resources (Simsek et al., 2007). Consequently, managers are more likely to employ slack resources to pursue entrepreneurial activities. Environmental heterogeneity can thus strongly influence the company’s strategy as well as CE (Zahra, 1991); furthermore, it is likely to lead to differences in strategic behaviours across ownership types (Child, 1994). Given the varying degrees of environmental heterogeneity, each ownership type may thus induce distinct, strategic decisions. However, there has been little work examining the moderating effect of environmental heterogeneity on the relationships between corporate governance, ownership structure and organisational outcomes. And this issue would be interesting in Vietnam, especially for practitioners.

### 3.3.6.3. Hostility

Hostility is another main source of variation in CE. Hostility refers to the unfavourability of environmental conditions for the company’s business which can arise from intense rivalry or radical changes in the industry. These can include declining demand, unfavourable supply conditions or radically changing innovations which render a firm’s technology obsolete (Edelstein, 1992, Iansiti, 1995). Hostile environments represent "precarious industry settings, intense competition, harsh, overwhelming business climates, and the relative lack of exploitable opportunities" (Covin and Slevin, 1989, p. 75). When environmental hostility increases, companies usually redefine their business, identify a new domain, and undertake significant strategic alignments through divestments, retrenchment or restructuring (Zahra, 1991). Under hostile environments, managers experience pressure to find ways to reduce or manage the sources of hostility. They may redefine their business concept, initiate self-renewal programmes or improve
productivity within the existing business. Zahra (1993b) found that when the environment becomes more hostile, a firm tends to engage more in corporate entrepreneurial activities.

3.4. Conclusion

Research into the elements of ownership structure, board governance and board monitoring has not yielded conclusive evidence of any particular factor producing a higher performance or inducing higher levels of risk-taking. The main inference of this examination of the literature is that most of the evidence presented has focused on either the Anglo-American context or other developed countries. It has demonstrated that little empirical attention has been given to these issues in the context of privatised firms in transition economies. Further studies in other contexts are therefore needed in order to obtain a better understanding of the dynamics of boards of directors, ownership and CEO—board relationship. This is a critical issue for theoretical as well as empirical research, as it may be invalid to generalise conclusions from prior research to other companies which operate in “different legal and cultural environments” (Eisenberg et al., 1998). National institutions, for example, have certain effects on corporate governance effectiveness, perhaps not only enabling some corporate governance mechanisms while hampering others but also distributing power differently within different companies (Aguilera, 2005). The research into corporate governance is thus very context-dependent, and conducting it in each different context is critical to the avoidance of bias and irrelevance in decision-making. The key objective of this dissertation is therefore to explore how certain corporate governance mechanisms facilitate a firm’s risky strategy choices in privatised firms in transitional institutional settings.
Chapter 4: Theoretical Background and Hypotheses
Chapter 4: Theoretical Background and Hypotheses

4.1. Introduction

Chapter 3 introduced theoretical paradigms and offered an extensive review of literature relating to the impacts of corporate governance, ownership and organisational outcomes. Chapter 4 extends this theoretical background by putting the contrasting theories together and laying the foundation for the development of the hypotheses to come. Foremost however, this chapter presents the conceptual framework (Section 4.2) which is used as guidance throughout the remaining part of the thesis. Section 4.2 also presents conceptual framework and considers alternative theories. Section 4.3 turns to the discussion of hypotheses arising from prior empirical work and the practice of institutional environment and corporate governance in Vietnam. Section 4.4 concludes the chapter.

4.2. Conceptual Framework and Theoretical background

4.2.1. Conceptual Framework

Insofar as CE is related to the discovery and exploitation of opportunities (Shane, 2000) in established companies and to critical changes in company strategy (both of which involve uncertainty in terms of the investments and long-term commitment required), they are both linked to a firm’s risk-taking profile. In addition, because CE requires substantial resources to invest but many years are needed to obtain returns, entrepreneurial decisions are risky, especially in economies where the institutional environment is in transition (Luo and Peng, 1999). The degree to which CE can be developed and put into action depends on the risk-taking propensity and resource employment of shareholders and managers. More broadly speaking, CE depends on governance factors, such as the characteristics of each individual company board and ownership, and their role in the decision-making process (Hoskisson et al., 2002).

In the context of a separation between ownership and control, CE relies on the degree of interest alignment between a company’s principals (owners) and agents (managers). Internal corporate governance mechanisms are the means employed to address any incongruence between the two. As described in Chapter 3, a majority of studies on corporate governance and CE have been based on large, mature firms in developed economies (Daily and Dalton, 1993). They primarily employ a traditional agency logic which may be less valid in other parts of the world. Some researchers have argued that the agency perspective on corporate governance is “far from being universal” (Filatotchev and Nakajima, 2010). Filatotchev and Nakajima (2010) posit that a board’s effectiveness and the efficiency of its governance mechanisms may be contingent on its specific organisational context. Indeed, despite the fact that Agency Theory has been the dominant theoretical perspective in the field, predictions deriving from this theory are not always consistent.
Agency Theory has not been connected with other theories of management and organisation (Kor, 2001, p. 43). The mixed results of the role of boards of directors are argued to be due to differences in institutional contexts or “path-dependency legacies and national institutional settings”. This is posited, among others, by Aguilera (2005), who stated that institutional settings must be taken into account in order to understand corporate governance mechanisms in different countries. Arguably, different theories should be incorporated in order to understand more exactly how corporate governance can influence CE. Many studies have put forward various theories to explain the outcomes of the governance mechanisms, but the findings (as summarised in Chapter 3) have been mixed. As such, the question is probably not about the employment of existing theories but when and under what conditions each theory is more applicable (Lynall et al., 2003) and to what extent these theories are mutually reinforcing (Elsayed, 2010).

In this dissertation, I argue that because corporate governance is a dynamic attribute in terms of time and space (it changes over time and is contingent on local context), connecting Agency Theory with other theories is very important to understanding the ways in which companies promote CE (Huse, 2005, Aguilera, 2005). I employ four theories—agency, resource dependence, stewardship and institutional theories—to predict how governance, ownership and CEO–board relations affect CE. In order to draw a proper and comprehensive picture of corporate governance, these existing theories will be treated as complementary views (Elsayed, 2010) in a consistent way (Aguilera et al., 2008) and in a coherent and cohesive model (Sparrowe and Mayer, 2011). With that integration, this dissertation is expected to provide an alternative conception of the principles, attitudes and roles of boards of directors and different types of shareholders in transition economies in institutional settings.

Following Douma et al.’s (2006) framework which uses multiple theories to explore the relationship between ownership and performance among firms in an emerging economy context, similar research frameworks are developed in this dissertation to explain the relationships between corporate governance and CE. A multi-theoretical approach is demonstrated in Figure 7, below.
4.2.2. Theoretical Background

4.2.2.1. Agency Theory

As mentioned briefly in Chapter 3, according to Agency Theory shareholders and managers may choose different strategies to implement CE, based on their different (and often conflicting) interests. From the shareholder’s viewpoint, innovation, venturing and restructuring leads to growth, and investment will pay off in the long-run. From the viewpoint of the agent, however, CE involves risky investments and lower short-term earnings, thus leading to higher employment risks and lower income. The board of directors therefore has an important role in aligning the interests of the corporation’s owners and its managers (Fama and Jensen, 1983, Baysinger and Hoskisson, 1990). The boards are put in place to adopt monitoring mechanisms designed to ensure that both CEOs and managers act and decide in the shareholders’ interest (Jensen and Meckling, 1976, Eisenhardt, 1989a). To control managers’ decisions, the board of directors must be independent of them (Fama, 1980, Mallette and Fowler, 1992).

4.2.2.2. Agency versus Stewardship Theory

Agency and Stewardship Theory are based on differing assumptions about the behaviours of individuals and organisations. Agency theorists assume that the objective of principals and agents is to maximise their interests, which diverge (Eisenhardt, 1989a); they also argue that boards (principals) and agents have different objectives and incentives.

However, in modern public firms, owners can be a mixed group possessing widely varying goals. Stewardship theorists therefore argue that the manager as steward reacts to these diffuse interests of various owners by focusing on the firm’s objectives and maximising organisational
success, reflecting the majority interest. Stewards perceive that their utility is maximised whenever they protect shareholder value through increasing company performance and by working toward collective organisational objectives (Davis et al., 1997b). These managers are willing to sacrifice their own interests and invest in the company to ensure it becomes wealthy and sustainable, and to enhance the company value for the benefit of all stakeholders (Le Breton-Miller, 2005, Bubolz, 2001). From a risk-taking perspective, these managers are less likely to be risk-averse and more likely to invest in long-term projects, with the expectation that this will result in their shareholders being rewarded.

In addition, agency theorists dispute the idea that increased ties between board members and managers compromises board independence and weakens the monitoring role of the board as a consequence. However, Westphal (1999) showed that in cases where it worked collectively with management to provide strategic advice, the board’s controlling role was not compromised by such closer ties. Furthermore, in their meta-analysis research, Daily et al. (2003a) demonstrated that board independence was not positively associated with organisational performance.

In sum, Stewardship Theory contradicts Agency Theory in significant respects. On the one hand, Agency Theory focuses on the extrinsic motivation—to obtain profit from tangible, exchangeable commodities which have a market value—of organisational decision-makers; on the other hand, Stewardship Theory focuses on the intrinsic motivation—opportunities for achievement, self-actualization—of decision-makers (Davis et al., 1997b). As a result, the applicability and relevance of each theory are different (Davis et al., 1997a).

The implications of Stewardship Theory for corporate governance are profound, particularly because of the alternative view it presents of management behaviour, challenging the previous roles of directors and managers. Empirical evidence exists which shows that Stewardship Theory may better explain organisational decisions (e.g., Fox and Hamilton, 1994, Wasserman, 2006) than Agency Theory in many cases and contexts.

Given the weakness of external corporate governance in transition economies, internal corporate governance mechanisms become more essential to mitigating the potential agency problem. However, in the majority of cases in those privatised firms which are transformed from an SOE, managers still act in the government’s best interests by maintaining economic stability, including job preservation. In contrast, shareholders such as private owners, business groups and foreign investors make different and higher demands on entrepreneurship and profitability. In addition, managers tend to maintain their political connections and pursue their own interests, and these do not necessarily focus on economic return. As a consequence, the agency problems faced by privatised firms in transitional contexts may differ from those faced by firms in developed economies. In this sense, the goals and interests of different shareholders and managers in
transition economies need to be carefully analysed to obtain a better view of corporate governance in this context and a proper explanation for impact of corporate governance mechanisms on CE and firm performance.

From the above analysis, I argue that the integration of Stewardship Theory and Agency Theory would be helpful in understanding the different roles of boards in public firms in the context of transition economies. However, Stewardship Theory should not be viewed as better than Agency Theory. The two theories are complementary rather than conflicting and each is more applicable to executives and in situations where the other theory is less applicable (Wasserman, 2006). The two theories together are thus likely to be more robust in explaining the complexities of human behaviour (Davis et al., 1997a). Specifically in this study, by borrowing these two perspectives, I aim to answer the question of whether the CEO-chairman role, TMT board membership and board monitoring improve CE.

4.2.2.3. Agency Theory versus Resource Dependence Theory

Whereas agency theorists are concerned about the independence of the board as a main driver, monitoring and controlling management and improving company performance (Walsh and Seward, 1990), resource dependence theorists (Pfeffer and Salancik, 1978a) consider the board of directors as a mechanism to manage external dependence, and argue that although agency problems have a significant impact on entrepreneurial firms, reducing agency costs is not the only concern of the board. Resource dependence theorists thus posit that in addition to overseeing executives so as to protect shareholders' interests, the board of directors also has the function of providing access to essential resources present in the environment (Hillman et al., 2000).

In contrast to Agency Theory (which focuses more on insider versus outsider composition), Resource Dependence Theory looks more closely at the underlying patterns of board composition. Resource dependence theorists have thus extended agency research by suggesting that pro-active behaviour by non-executive directors depends not only on the extent of board independence, but also on the strategic perspective, base of experience and networks they bring to the organisation (Beatty and Zajac, 1994, Carpenter and Fredrickson, 2001). The resource dependence view emphasises that in addition to control functions, the board may also play service and strategic roles in the decision-making process (Pfeffer, 1972, Zahra and Pearce, 1989, Johnson et al., 1996). In particular, outside directors may provide firms with significant advantages, such as facilitating company borrowing (Mizruchi and Stearns, 1994), information acquisition (Haunschild and Beckman, 1998) and alliance formation (Gulati and Westphal, 1999). Empirically, resource dependence literature (e.g., Boyd, 1990, Hillman et al., 2000) provides much evidence consistent with the argument that outside directors help to improve a firm's performance through the provision of essential resources.
Given the fact that entrepreneurship relates to developing, recombining, and integrating necessary resources into new configurations (Shane and Venkataraman, 2000), resources brought in by investors are critically important for promoting entrepreneurial activities. Within existing firms, entrepreneurship includes innovation, venturing and renewal activities, all of which require significant capital for long-term investment, and an outside director with good connections can help their firm to access financial resources. In addition, venturing involves tapping into new ideas, opportunities and markets. Outside directors are normally embedded in critical resource and information networks which can enable them to help company managers identify directions for growth and to acquire the resources needed for the pursuit of new entrepreneurial initiatives (Pfeffer, 1972, Useem, 1984). In particular, outside directors can bring goodwill and new business ties with industry players into the firm, helping it to detect emerging opportunities in its field (Carpenter and Fredrickson, 2001, Castanias and Helfat, 2001). Furthermore, outside directors with industry experience may have the experience necessary to complement and support managers in strategic decision-making in matters such as R&D expenditure, long-term investments and competitive dynamics (Arthur, 1994). They can also bring a positive influence to bear upon company corporate strategy and entrepreneurial actions (Fried et al., 1998), thus enhancing company performance (Kroll et al., 2007).

Kor (2001, p. 43) however claimed that despite being referenced in corporate governance studies, agency logic has rarely been connected to other theories. Hillman and Dalziel (2003) also suggested that the explanatory power of Agency Theory could be enhanced by integrating it with resource dependence logic (Pfeffer and Salancik, 1978b). More recently, the integration of multiple theories has been employed more widely (e.g., Peng, 2004, Arthurs et al., 2009, Dalziel et al., 2011), in studies which argue that boards deal with agency problems and resource dependence issues simultaneously. This dissertation thus integrates Agency Theory and Resource Dependence Theory to explore the ways in which the boards of directors and investors contribute to CE in privatised firms.

4.2.2.4. **Agency Theory versus Institutional Theory**

Many researchers argue that the effectiveness of corporate governance frameworks may differ across countries and is moderated by the institutional characteristics of particular economic systems (Dharwadkar et al., 2000, Douma et al., 2006). As Filatotchev and Wright (2011) point out, agency theorists discuss the principal—agent relationship, without considering the context in which Agency Theory assumptions are made. This incomplete approach can lead to misleading conclusions about the effectiveness of corporate governance mechanisms in different contexts. Again, Wiseman et al. (2012) emphasised that institutions are important because they make a difference among corporate governance systems, which can be viewed through the lens of
traditional Agency Theory but do not have to be. For instance, depending on each context, the convergence and divergence of interests may be different, as both parties may agree or disagree on key issues at different points in their relationship (Wiseman et al., 2012).

Even so, the relationship between the principals and agents differs depending on the stage of institutional transition (Brandes et al., 2005). Le et al. (2010) provide an illustration of how the prevalent institutions shape corporate governance in transition economies at different stages of the transition process. They suggest that at the early stage, corporate governance is more effective when coupled with state administrative control, but more effective at the intermediate stage when it works in conjunction with social networks. Indeed, before this, Peng (2003) posits that during the early stages of transition, informal norms and relation-based governance prevail. At the same time, institutional logic also affects the long-term company strategy, impacting upon the way in which firms are structured (Chung and Luo, 2008). Chung and Luo (2008) also emphasise that organisations in emerging economies tend to be particularly prone to relying on institutional logic, considering it to be indicative of desirable restructuring strategies.

Given the above arguments, a complete picture of corporate governance in transition economies may not be obtained solely from an agency perspective; however, Agency Theory might be better able to succeed in this if it were supplemented with Institutional Theory (Wright et al., 2005, Hoskisson et al., 2000). In addition, institutional perspectives should not be overlooked when examining corporate governance in under-researched contexts such as Vietnam. This research will examine the significance of each perspective by explaining the role played by the different agents and owners in their contribution to entrepreneurial decision-making.

### 4.3. Hypotheses

As outlined in Chapter 1, this thesis addresses four research questions in order to understand the effects of (1) Board governance; (2) Ownership structure; and (3) Board monitoring on CE, and the moderating effects of (4) Environmental uncertainty on those relationships. Eleven groups of hypotheses are developed to test the relationships and answer the research questions.

Not only is the relative applicability of different theories scarcely understood: research into the relationship between corporate governance and entrepreneurship outside of developed economies is very limited. Strong priors therefore do not exist regarding which theoretical predictions—or combinations of predictions—are most likely to hold in the Vietnamese context. It is entirely plausible that what has been found for developed economies will not hold true for Vietnam. This study is therefore structured to investigate a series of contrasting hypotheses. The contrast is between a null hypothesis generated by the review of studies in developed economies
summarised in Annex 3 to test whether theories applied in those contexts still hold true in Vietnam, and an alternative hypothesis motivated by the unique context of a transition economy.

4.3.1. Corporate Governance Hypotheses

As noted earlier, institutional differences across countries provide one explanation for differences in various corporate governance systems (Aguilera and Jackson, 2003, Lubatkin et al., 2005). In addition, organisational differences can lead to differences in internal corporate mechanisms. Given the strong market friction present in transition economies, the ways in which internal corporate governance mechanisms (such as outside representation and the separation of the roles of CEO and chairperson) can be effective substitutes for external governance tools is an important question.

4.3.1.1. CEO Duality

Agency Theory suggests that CEO/chair separation is positively related to long-term decision-making and therefore improves firm performance. As noted earlier, most existing research has relied heavily on an agency perspective when examining board composition, and claims that organisations should maintain an independent board of directors in order to maximise company performance (Jensen and Meckling, 1976, Williamson, 1985). Empirical studies provide evidence of the negative effect of CEO duality on risk-taking and firm performance. Taking the latter as a dependent variable, this negative effect is evident both in developed economies, such as the United States (Baysinger and Butler, 1985, Rechner and Dalton, 1991) and Australia (Kiel and Nicholson, 2003), and in developing economies such as China (Bai et al., 2004). With regard to long-term investment decisions, Zahra et al. (2000b) demonstrated the negative effect of CEO duality on CE, noting that it provides the opportunity for opportunistic behaviour on the part of the CEO, who might as a result reject investment in CE. Extending this logic, it is plausible to propose a null hypothesis that CEO separation is better for entrepreneurial activities.

Hypothesis 1a (Agency Theory): In newly privatised firms in Vietnam, CEO duality is negatively related to corporate entrepreneurship.

Institutional Theory argues that organisations are influenced by rules which are institutionalised and legitimised by social norms (DiMaggio and Powell, 1983). Put another way, companies with common characteristics tend to follow common practices adopted by their peers to reduce uncertainty in institutional environment and thus to assert their legitimacy, although conformity to these institutional rules and norms does not necessarily improve their performance. In Vietnam, CEO duality has been seen by policymakers as a barrier to firms achieving effective corporate governance. Since 16 June 2012, by issuing Circular No. 121/2012/TT-BTC, the government
oblige public companies to adopt the separate leadership structure (the combined role is still allowed if this consolidation is approved at the annual shareholder meeting).

In fact, to assess the effects of the separation of these two top positions, it is first necessary to look at the role of executives in privatised firms. Firstly, Fama and Jensen (1983) argued that young entrepreneurial firms present a classic case of union rather than separation of ownership and control. Given the fact that Vietnamese privatised firms have emerged as a result of their transformation from SOEs and moved to an entirely new competitive environment, they could be considered to be young firms. The boundaries between control and ownership are thus somewhat blurred. Executives in this case tend not to consider themselves as agents but rather as company owners. Secondly, it is suggested that Stewardship Theory is more applicable to organisations where weak control systems mean that trust is the basis of collective and collaborative work. Given the underdeveloped nature of Vietnam’s market institutions, trust is more likely to exert a significant force among actors in a business relationship than in economies where market institutions are better established (Nguyen and Rose, 2009). Trusting climates established in these organisations create opportunities for managers to behave as stewards (Davis et al., 1997b). Thirdly, culture is an important factor. East Asian culture is firmly embedded in Vietnam, and collectivism is prevalent (Hofstede and Bond, 1988). The success of one’s organisation may thus be considered more important than individual achievements. Furthermore, those Asian people who are influenced by Confucian philosophy consider intrinsic rather than extrinsic values to be of greater significance (Hofstede, 2001). As a consequence, in order to enhance reputation, players may be more willing to develop new markets, or to invest in new processes and products with the expectation of bringing long-term benefits to the company. Fourthly, these executives typically have a long tenure, with a commensurately strong commitment and sense of duty to the company as a collective organisation, even after privatisation. They may therefore be inclined to sacrifice their personal interests for the success of the business, to feel bound to company performance and to take the credit for its organisational success (which is beneficial to their careers, making them less likely to forego longer-term opportunities for the company for the sake of short-term returns on their investment). Taken together, these factors may serve to reinforce Stewardship Theory. Therefore, a CEO-chair in Vietnamese privatised firms may be motivated to act for the sake of their shareholders’ interest. Finally, as analysed in Chapter 2 with the findings by Peng et al. (2007), CEO duality improves SOEs’ firm performance but impairs performance of private-owned enterprises. This situation may hold true in the context of Vietnam. As the state is still investor in the majority of privatised firms, making privatised firms remain SOE-like entities, the combined role may be more appropriate in these firms.
Nevertheless, as most of CEO-chairs are managers of the former SOEs who worked in the state system for several years before entering new business environment, they tend to avoid risky decisions and hesitate to change long-term strategies. Therefore, although dual CEO-chair may on occasion act as steward in privatised firms, they may be less likely to oppose risks related to entrepreneurial investments. As such, CEO duality may have no association with CE in privatised firms, which supports both Stewardship and Institutional theories. I therefore propose:

**Hypothesis 1b (Agency, Stewardship and Institutional): In newly privatised firms in Vietnam, CEO duality is not significantly associated corporate entrepreneurship.**

### 4.3.1.2. Representation of TMT Members

In common with hypothesis 1a, the null hypothesis for TMT board membership also built on an agency perspective, which argues that a higher representation of top management on the board would reduce its independence and therefore increase managerial opportunism and entrenchment. I therefore propose the null hypothesis:

**Hypothesis 2a (Agency Theory): In newly privatised firms in Vietnam, TMT board membership is negatively associated with corporate entrepreneurship**

In a similar vein to CEO duality, TMT board membership could be viewed from stewardship perspective, possibly more appropriate theoretical lens by which to explain executive director behaviour in the context of Vietnam. Although the benefits of TMT board membership have not yet been studied in emerging or transition economies, some researchers strongly support it in the context of developed economies (e.g., Arthurs et al., 2008, Walters et al., 2010). Several reasons suggest that TMT board membership may be appropriate for increased CE in privatised firms in Vietnam.

Firstly, unlike their counterparts in developed countries, the transformation of SOEs in Vietnam into joint-stock corporations is recent, and with the state and insiders as key shareholders, privatised firms tend to be less control-oriented. They focus on the company objectives rather than the monitoring and control function of the board of directors. Secondly, as with the role of CEO, other TMT members in these firms also have a strong attachment to the company and may therefore be more likely to support risky, long-term decisions which they believe will create more value for shareholders. Thirdly, some TMT board members are executives who had worked together in SOEs before privatisation, sometimes for a relatively long period of time. They might therefore have developed stable political and social ties, and in particular, may share similar work understanding and routines. Eventually, these may promote trust and cooperation (Granovetter, 1985), leading to better outcomes through the presence of a cohesive management team (Fischer and Pollock, 2004). As a result, the work of a group of executives may be more beneficial to a
company if they sit together on the board. Using the context of a developed economy, Kroll et al. (2007) provided evidence that a greater representation of TMT board members enhances the performance of entrepreneurial firms after an IPO. They argued that the shared vision and understanding of the company goal which these TMT board members are likely to possess means they are in a position to help the firm pursue a strategic direction with less distraction. In a post-privatisation context (such as that found in Vietnam) where they have recently transitioned from a governmental identity to private or publicly held firms, companies tend to be easily exposed to vulnerability. As with IPO, TMT board directors after privatisation might be able to provide more efficient oversight and protect their company from investors with a short-term horizon. In line with the reasoning given above, therefore:

**Hypothesis 2b (Stewardship Theory): In newly privatised firms in Vietnam, TMT board membership is positively associated with corporate entrepreneurship**

### 4.3.1.3. Representation of Outside Directors

Outside directors play two important roles in public firms (Hillman and Dalziel, 2003): monitoring management on behalf of shareholders (Fama, 1980, Dalton et al., 1998) and providing the firm with access to critical resources (Pfeffer and Salancik, 1978a, Hillman and Dalziel, 2003). These two functions used to be discussed under the logic of agency and resource dependence theories. In particular, some empirical research conducted in transition and emerging economies has corroborated the resource dependence view, proving that outside directors in these contexts play the major role of resource provider (Peng, 2004, Au et al., 2000, Young et al., 2001). As noted earlier, Peng (2004) finds that the role of affiliated outside director is positively associated with sale growth. Therefore, a null hypothesis builds on this work, supporting the monitoring and resource provider role of independent non-executive directors:

**Hypothesis 3a (Agency Theory and Resource Dependence Theory): In newly privatised firms in Vietnam, representation of outside directors on the board is positively associated with corporate entrepreneurship**

As discussed above, Institutional Theory argues that organisations are shaped by institutional logic present in society (Meyer and Rowan, 1977). They have to conform to changes and pressures from the external environment, even if doing so does not necessarily improve their performance (DiMaggio and Powell, 1983).

Over time, the government of Vietnam has encouraged public firms to appoint outside directors on to their boards. On June 16, 2012, the Ministry of Finance issued Circular No. 121/2012/TT-BTC, which required at least one third of members of the boards of directors to be independent, non-executive directors. In fact, many privatised firms had already tried to appoint outside
directors; listed firms in particular were more likely to appoint outside directors with a view to increasing the independence of the board. Institutional Theory (Powell and DiMaggio, 1991) predicted that investors may interpret the increased representation of non-executive directors as an indication that the firm is more independent and better positioned in the market than other firms, a signal of possible legitimacy and a good reputation. Peng (2004, p. 458) pointed out, “When there is so much ambiguity in attributing the causes of organizational outcome such as performance, outside observers often rely on positively valued behaviour as a signal in making their judgments of a firm’s management”. However, whether these non-executive directors contribute to long-term strategies in privatised firms remains questionable. To answer this question, I dig deeper into the roles of non-executive directors in the context of Vietnam.

As discussed in Chapter 2, there are four types of outside directors—state, institutional, foreign and individual investors. In China, state directors are considered to be quasi-inside directors (Peng, 2004). The situation is similar in Vietnam. State directors are considered to be affiliated directors and therefore do not tend to act as controllers. On the other hand, although it is assumed that state directors are helpful in bringing about the connections and information to the firm, the reality is more difficult. Because state directors are government staff who are paid a fixed amount of salary for acting on the position of a director, they may be less willing to exercise their authority to monitor management and take measured risks related to long-term strategies (Kesner, 1987).

The majority of institutional investors are banks, suppliers, buyers and strategic partners, affiliated to target firms, and any director representing these investors would thus be unlikely to challenge or monitor management effectively. Foreign investors, who are conventionally believed to have the potential to enhance a board’s independence and improve its effectiveness, hold a very small proportion of capital shares in privatised firms. Their power and influence is thus insufficient to monitor and control management effectively. Lastly, individual investors often represent dispersed groups and their knowledge and ability is thus often insufficient to challenge management. This leads me to:

**Hypothesis 3b (Institutional Theory): Outside ratio is not significantly associated with corporate entrepreneurship**

### 4.3.1.4. Board Size

As discussed in the literature review chapter, Agency Theory argues that a small board reduces the costs of insufficient communication (Haniffa and Hudaib, 2006) and helps the decision-making process to perform faster and be more cohesive (Lipton and Lorsch, 1992). Past research supporting Agency Theory has demonstrated a negative relationship between board size, and firm performance (e.g., Yermack, 1996, Eisenberg et al., 1998, Conyon and Peck, 1998, Hermelin and
Weisbach, 1991) and risk-taking (Wang, 2012), and a positive relationship between board size and diversification (Bosworth et al., 1999, Kiel and Nicholson, 2003). This logic could be extended to privatised firms in transition economies; when the board gets larger, greater heterogeneity among its members can make it difficult to agree on decisions. Importantly, as making entrepreneurial decisions always requires the cohesion among the board members, having more board members may thus cause delays. In addition, since the propensity of each member for risk-taking is likely to differ, consensus may be more difficult to achieve if the board is too large. A null hypothesis is thus as follows:

**Hypothesis 4a (Agency Theory): In newly privatised firms in Vietnam, board size is negatively associated with corporate entrepreneurship**

Prior research provides empirical evidence which suggests a positive relationship between board size and firm performance, in developed economies such as Belgium (Van den Berghe and Levrau, 2004) and the United States (Pearce II and Zahra, 1992) and emerging economies such as India (Jackling and Johl, 2009). These studies argue that large boards increase the diversity of skills, experience, knowledge and styles of management, providing firms with more and better advice and ideas (Dalton et al., 1999), thereby improving the quality of strategic decisions and increasing company performance (Van den Berghe and Levrau, 2004). In a similar vein, larger boards are likely to increase cognitive diversity, which leads to increased creativity in decision-making and the emergence of new alternatives for the development of the firm (Forbes and Milliken, 1999). In addition, a larger board might arguably render individual members more confident to propose new ideas and to promote innovation or strategic changes (Brunninge et al., 2007). Large boards also make it easier for firms to distribute board committee assignments (Klein, 2002). In particular, having a larger board may help to include outside directors who have better access to industry information and more market experience, which according to Zahra (1991) are highly conducive of corporate entrepreneurial activities such as innovation and market development.

Notably, as discussed in Chapter 3, CE can be considered as including two components, namely corporate venturing and strategic entrepreneurship (Morris et al., 2011). Morris et al. (2011) contended that the latter involves seeking new opportunities and advantages, leaving no doubt that external resources are essential for firms wanting to promote strategic entrepreneurship. Moreover, given the disadvantages embedded in firms which have recently transformed from public sector to private sector organisations, and the challenges arising from the business environment in which they operate, it is likely that those firms face a high demand for the resources needed to carry out the corporate entrepreneurial activities such as those mentioned above. One effective way to assist them to better access these critical resources is to increase their number of board members. Furthermore, as discussed in Chapter 2, since the majority of
firms in Vietnam (as well as those in other emerging economies) often pursue network-based strategies (Peng and Heath, 1996), having a larger network is critically important, especially for threshold firms such as privatised firms. Firms can use their network to obtain information about the markets and new opportunities. Importantly, given the unique context of privatised firms, high proportion of directors in these firms’ boards are affiliated directors who are state representatives. These directors may be particularly helpful because they help to facilitate the ties between the firms and their external network. Therefore, large boards may have more affiliated state directors, enabling firms to have more opportunities for CE. Here, my contention is that a larger board is more beneficial for privatised firms pursuing a policy of CE.

**Hypothesis 4b (Resource Dependence Theory): In newly privatised firms in Vietnam, board size is positively associated with corporate entrepreneurship**

### 4.3.2. Ownership Structure Hypothesis

#### 4.3.2.1. Managerial Ownership

Ownership structure is an effective dimension of corporate governance and has an influence on risk-taking (e.g., Chen and Steiner, 1999, Saunders et al., 1990), CE (e.g., Zahra et al., 2000b), and company performance (e.g., Filatotchev and Nakajima, 2010). Prior research employed Agency Theory and Stewardship Theory to explain the relationship between managerial ownership and corporate strategy, and lends support to both. This study examines the effect of managerial ownership in the context of a transition economy, employing these two contrasting theoretical perspectives.

Agency theorists argue that managerial ownership is an incentive mechanism which helps align the interests of managers with those of shareholders (Jensen and Meckling, 1976). They posit that when managers own shares their motivation is greater to take decisions consistent with wealth-maximisation through proactive risk-taking (Saunders et al., 1990, Eisenmann, 2002). Jones and Butler (1992) argue theoretically that equity ownership on the part of top executives can promote support for internal CE. As the interests of managers and their shareholders are aligned through ownership, shareholders tend to be more willing to support innovative and risky investments chosen by the CEO, thus helping to increase entrepreneurial orientation (Zahra et al., 2000b). Empirically, Zahra et al. (2000b) show that executive ownership is consistently and positively related to CE in a study of 239 medium-size manufacturing companies in the United States. As with earlier hypotheses development procedures, the logic of Agency Theory might be employed to generate a null hypothesis in the context of Vietnam:

**Hypothesis 5a (Agency Theory): In newly privatised firms in Vietnam, managerial ownership is positively related to corporate entrepreneurship**
Agency assumptions have however been criticised by a number of earlier researchers (e.g., Hirsch et al., 1987, Le Breton-Miller and Miller, 2009) because they ignore social forces and relationships, and mitigate the complexity of human behaviour. In the special, unique context of privatised firms in Vietnam, it is worth considering the applicability of Stewardship Theory while examining the effect of managerial ownership on CE. As discussed in the hypotheses supporting Stewardship Theory in the relationships between CEO duality, TMT board membership and CE, managers in Vietnam’s privatised firms possess many of the characteristics of stewards. When managers behave as stewards, ownership does not provide sufficient incentive to encourage them to take more risks. Notably, during the privatisation process, the government allows managers to buy shares at a discounted rate, based on the number of years they have worked for the SOE. Here, equity ownership seems less likely to be an incentive mechanism. I therefore propose:

Hypothesis 5b (Stewardship Theory): In newly-privatised firms in Vietnam, managerial ownership is not significantly related to corporate entrepreneurship

4.3.2.2. Institutional Ownership

In developed economies, despite the fact that institutional investors lack access to corporate information and have difficulty controlling and evaluating the firm’s performance (Porter, 1992, Williamson, 1975), it is argued that they can be sophisticated and active investors (Hicheon et al., 2008). They are thus more likely to value long-term projects and less likely to focus on short-term earnings (Kochhar and David, 1996). Much prior research supports this argument, which is referred to as the “superior investor” hypothesis. In addition, resource dependence theorists contend that institutional investors possess important resources which are critical for long-term investments, including expertise, industry experience and linkages with other organisations. As such, a null hypothesis which posits that institutional investor ownership can be conducive to entrepreneurial activities may be plausible in the context of Vietnam:

Hypothesis 6a (Efficiency augmentation perspective): In newly privatised firms in Vietnam, institutional ownership is positively associated with corporate entrepreneurship

Hicheon et al. (2008) argued that in emerging economies, institutional investors are more short-term oriented because of the weak legal protection mechanisms in place. These authors also explain that outside investors prefer short-term benefits as a means to avoiding expropriation by inside controlling shareholders, a common occurrence in many emerging economies. This argument can be similarly applied in transition economies where institutional investors do not own a high proportion of shares and do not have sufficient power to affect the long-term
strategies of firms. This relationship is consistent with the argument which contends that institutions are myopic investors.

In transition economies, divestment to domestic institutions is a key privatisation method, achieved through selling a large portion of shares to domestic institutions, such as banks, investment funds or affiliated partners. Compared to insiders, institutional investors are more likely to have information and knowledge of the market. However, unless the institutional owners have positions on the boards of directors, the majority of institutional investors are likely to be transient, lacking incentives to monitor corporate strategies and support strategic competitive actions (Bushee, 1998). As a result, they tend to behave like speculators. Their participation is also limited by information asymmetry problems and higher coordination costs (Coffee, 1991, Black, 1998) and by limited resources, shared among a large number of firms (Chen et al., 2007). This situation is relatively prevalent in the context of Vietnam, where the disposal of information is not strictly obligatory and the environment is strongly based on relationships. In view of this:

**Hypothesis 6b (Efficiency abatement perspective): In newly privatised firms in Vietnam, institutional ownership is negatively associated with corporate entrepreneurship**

4.3.2.3. **Ownership Concentration**

Agency Theory assumes that managers are self-interested and maintains that the interests of owners and managers are conflicting (Jensen and Meckling, 1976). Concentrated ownership can help mitigate any principal—agent (PA) conflicts which occur between dispersed shareholders and managers (Jensen and Meckling, 1976). With concentrated ownership, controlling investors have sufficient incentives and ability to monitor management, and to influence corporate policy choices (Brickley et al., 1988, Bushee, 1998). Agency Theory further suggests that concentrated ownership can reduce the pressure of producing short-term profits and thereby making more room for long-term investments (Baysinger et al., 1991). Although these arguments of Agency Theory have been widely employed and supported by the data in developed economies, their logics seem to evoke a plausible null hypothesis for testing the effect of ownership concentration in the context of privatised firms in Vietnam:

**Hypothesis 7a (Principal—agent Agency Theory): In newly privatised firms in Vietnam, ownership concentration is positively associated with corporate entrepreneurship**

In transition economies, where the legal systems designed to protect minority shareholders have not been fully developed (Peng and Heath, 1996), there could be significant goal incongruence between controlling and minority shareholders, resulting in PP conflicts (Su et al., 2008, Young et al., 2008). More specifically, when ownership concentration is high, key investors who possess a higher proportion of shares often attempt to control their interests in the company by restraining
the power of minority owners. Large shareholders may, for example, find opportunities to transfer internal resources out of the firm to maximise their benefits. Empirically, evidence of the expropriation of small shareholder interests by larger shareholders has been provided by many studies of transition countries (Claessens et al., 2002, Su et al., 2008, Tam and Tan, 2007). In particular, concentrated ownership by the state is a typical characteristic of ownership structure in Vietnamese privatised firms, as discussed extensively in Chapter 2. In those firms where the state owns more than 50 percent, the state controls the board; it has the right to appoint managers and directors, and usually selects individuals who are sympathetic to its goals. This may result in collusion between the state and managers, and in the subsequent impairment of minority shareholder benefits. Notably, these firms thus tend to be driven by government objectives, which emphasise greater social stability over profit maximisation, and which are usually different from those of private investors (Douma et al., 2006). Peng et al. (2004) argue that in emerging markets, government-controlled institutions may choose not to pursue long-term investments. There is thus the strong potential for conflict of interest to occur between controlling shareholders and small shareholders in privatised firms in Vietnam. Furthermore, the conflict could become more severe because the state tends to withdraw their capital investment in the sectors which are not considered to be the key and strategic sectors of the economies. Consequently, a high concentration of state ownership (which accounts for a large proportion of the total number of privatised firms in Vietnam) may result in a lower degree of CE.

Alternatively, many small privatised firms in Vietnam are owned by the managers and their relatives. During the process of privatisation, managers have more opportunities to access inside information, generally know the true value of the business, and are in a better position to buy shares provided for auction. The result is that the managers of many privatised firms end up owning a high percentage of company shares. As discussed earlier however, they tend to be quite risk-averse and more likely to pursue steady profits than engage in projects which may involve a degree of uncertainty. At times this leads to a propensity on the part of controlling owners and managers to engage in expropriation through misuse of their authority, transferring the firm’s assets to controlling shareholders at the cost of performance and growth. Notably, as Li et al. (2010) argued, PP conflicts frequently happen in firms whose resources and knowledge are often scarce. Apart from the larger PP conflicts which result from high ownership concentration, this study therefore predicts that concentrated ownership will give rise to lower CE in privatised firms in Vietnam.

Hypothesis 7b (Principal-principal Agency Theory): In newly privatised firms in Vietnam, ownership concentration is negatively associated with corporate entrepreneurship
4.3.3. **Board Monitoring**

As already noted, Agency Theory argues that boards of directors can mitigate agency costs, thereby improving firm performance by the close monitoring of CEOs (Fama and Jensen, 1983, Daily et al., 2003a, Hillman and Dalziel, 2003). This monitoring role was hypothesised to influence CE (based on the argument posited in Hypothesis 3 that an independent board with more outside directors allows for more objective evaluation) and this study thus adds to the corporate governance research stream by examining the impact of board monitoring behaviours on CE. It suggests that close monitoring of CEOs can help limit managerial discretion, and therefore reduce the opportunistic behaviour of some CEOs. It is thus suggested:

**Hypothesis 8a:** In newly privatised firms in Vietnam, board monitoring of CEOs is positively related to corporate entrepreneurship

Alternatively, some researchers argue that board monitoring of the CEO may reduce cohesion between the two parties, resulting in a negative association between them (Gulati and Westphal, 1999) which, it is argued, arises from a lack of trust. Given the unique characteristics of Vietnamese cultural and social context (as described in Chapter 2), business relations in the country are mainly based on mutual understanding and trust. Monitoring behaviours by the board may discourage CEOs to contribute to shareholders’ long-term interests. As such, this suggests a contrasting hypothesis, predicting that a board’s close monitoring of the CEO may reduce the latter’s commitment to entrepreneurial activities.

**Hypothesis 8b:** In newly privatised firms in Vietnam, the level of board monitoring is negatively related to corporate entrepreneurship

4.3.4. **Moderating Effects of Environmental Uncertainty**

While hypotheses 1 to 8 assume that four elements of board governance, three types of ownership structure, and board monitoring combine to have various impacts on three dimensions of corporate governance, previous studies suggest that the strategic choices made by organisations with differing structures of governance and ownership may vary depending on the characteristics of the external and internal environment in which those organisations operate (Meyer and Rowan, 1977, Miles et al., 1978). This study therefore also tests for any moderating effects of environmental dynamism, heterogeneity and hostility on the relationships between CE and corporate governance, ownership structure, and board monitoring.

In transition economies, as the institutional environment is considerably complex and turbulent, its effects on the relationships between organisational factors and organisational outcomes are significant. As described in Chapter 2, Vietnam has been undergoing an institutional transition, including several experimental policies, which have had the effect of making the legislative
regulations less stable and adding uncertainty and unpredictability to companies operating in Vietnam. In addition, the move towards a market economy has meant that although companies have greater opportunities, competitive intensity has increased considerably, creating more threats for firms operating in this environment. Furthermore, because laws are enforced in a weak and inadequate manner and legislative regulations are not clearly established, opportunistic, unlawful and unethical behaviours have been widely employed. Companies have thus perceived high levels of hostility in the business environment, particularly after the economic crisis of 2007. Since then, given the increased integration into the global economy, customer demand and technologies have changed remarkably, making the environment even more complex.

Up to this point, this study has hypothesised that CEO duality, TMT board membership, outside ratio, board size, managerial ownership, institutional ownership and ownership concentration exhibit a significant impact on CE. However, the potency of these influences is argued to be contingent on the perceived environment.

4.3.4.1. Dynamism

When environments are perceived to be less predictable and more turbulent, the criteria for selection of alternative initiatives such as feasibility are similarly less reliable. As dynamism increases, decision-makers experience ambiguity (Curley et al., 1986, p. 230), giving rise to the potential of managers to encounter risks. While a dynamic environment requires managers to take greater entrepreneurial risks, concomitant low returns may discourage them from doing so. Furthermore, as discussed in Chapter 3, dynamism may lead to the management perception of the limitation of the firm’s discretionary slack resources. As a consequence, firms tend to deploy discretionary slack to monitor and interpret environmental signs. Eventually, they try to sustain and secure the current competitive advantage and reduce investments in entrepreneurial activities (Simsek et al., 2007). On the other hand, a greater dynamic environment creates an environment that lacks the information needed for environment assessment, resulting in ambiguity for decisions-makers (Huber and Daft, 1987). In dynamic environments, although the board with more TMT directors will be better at evaluating environmental conditions (Li and Simerly, 1998), those directors, who are risk-averse, may react more slowly and with greater determination to ambiguous situations. Importantly, the hesitation by managers to get involved with risk and the inability to assess means-end relationships may result in higher conflicts between the board and the CEOs, making corporate governance less effective in terms of long-term investments. In addition, the company owners may find it more difficult to monitor the top managers. On the contrary, under less dynamic conditions, it is more probable that decision-makers will make projections related to future outcomes (Forbes, 2007), allowing managers to make decisions more confidently. Notably, because most CEOs of Vietnamese privatised firms are officers of long-tenure, they tend to be less willing to respond aggressively to environmental dynamism and
less likely to assume risk and invest for long-term success in an uncertain environment (Wu et al., 2005).

In line with above arguments, this study proposes two contrasting hypothesis:

**Hypothesis 9: The degree of perceived environmental dynamism moderates the relationships between governance and ownership in such a way that the relationships posited in hypotheses 1 to 8 will be stronger in a low dynamism environment than in a high dynamism environment.**

4.3.4.2. **Heterogeneity**

As mentioned earlier, the effects of organisational factors are likely to change with the degree of environmental complexity. Chapter 3 discussed the propensity of heterogeneity to increase executive perception of environmental complexity, encouraging them to redefine the existing business and maintain a broad line of products and services in order to satisfy the diversity of customer needs. Put differently, environmental heterogeneity significantly influences company strategy. The diversity of market segments offers companies more opportunities, resulting in increased innovation and market expansion (Zahra, 1991). Zahra (1991) concluded that heterogeneity leads to a higher degree of CE.

This study proposes that environmental heterogeneity positively moderates the relationships posited in hypotheses 1 to 8. Firstly, for firms operating in industries with high heterogeneity, executives have to develop innovative strategies to deal with the new challenges, building new competitive advantages (D’aveni and Ravenscraft, 1994). Under the complexity, executives as well as the board of directors encounter increased pressure to react to environmental uncertainty. More broadly, corporate governance mechanisms become more effective towards pursuing CE in highly complex environments. Secondly, when the environment is more complex, experience plays a more important role (Butler, 1995). Carpenter and Fredrickson (2001) argued that the effect of work experience on strategic posture is stronger in uncertain environments. Similarly, under this environmental condition, the board of directors possessing greater experience facilitate entrepreneurship decisions more effectively. In the context of privatised firms in Vietnam, because of their recent transformation from the public environment, they are more likely to lack market experience. As discussed above, Resource Dependence Theory argues that directors may play a role as resource providers. This role may be more important in the context of transition economies where resources are scarce. Consequently, this study expects environmental heterogeneity to positively affect the relationships between corporate governance, ownership structure and board monitoring, and CE. In the context of this study, it suggests:
**Hypothesis 10:** The degree of perceived environmental heterogeneity moderates the relationships between governance and ownership in such a way that the relationships posited in hypotheses 1 to 8 will be stronger in a high heterogeneity environment than in a low heterogeneity environment

### 4.3.4.3. Hostility

Under environmental unfavorability, top management are less likely to be able to forecast and analysis information, making the decision making process more difficult. Put another way, in the hostile environment, the advantages of TMT members when sitting in board, such as knowledge, information about the company, may diminish. In particular, given that top managers are often risk-averse, they may tend to avoid risky investments when environment is unpredictable. As such, environmental hostility is therefore argued to have a moderating effect because it may relate to the willingness to take risks and the ability to undertake entrepreneurial pursuits. As discussed in Chapter 3, when faced with hostile environment, a company may be pressured to revise existing products, revise its R&D priorities or target new niches by modifying its product offerings or targeting new customers. These actions depend on the ability and risk-taking propensity of the company managers, which in turn depend on the effectiveness of the board of directors in monitoring and controlling management to ensure its actions are consistent with shareholder goals and objectives. Taken together, the influence of corporate governance effectiveness on the pursuit of entrepreneurial activities varies according to the differing degrees of environmental hostility.

When the environment is more hostile, it will inhibit the managers’ willingness to take risks and engage in CE. This study argues that hostility negatively moderates the relationships posited in hypotheses 1 to 8. Firstly, environmental hostility may give rise to managerial doubts about long-term investments, rendering them less confident in processing information and making decisions (Forbes, 2007). Secondly, environmental hostility usually reduces the resources available for innovation (Zahra, 1996a). Under such conditions, managers tend to pay more attention to the preservation of existing resources and eliminate discretionary uses (Chakravarthy, 1982). In particular, hostility in transition economies may inhibit companies from investing in R&D or projects with a long-term payoff (Tan and Litsschert, 1994, Tsang, 1996). Given the turbulent environment faced by Vietnamese privatised firms, companies operating under a highly hostile environment are less likely to engage in innovation and risky investments, especially when the sense of hostility is strong. For instance, if CEO duality is conducive to entrepreneurial activities, this positive impact is weaker in an environment of high hostility. The reason is that two individuals may be better able to overcome difficulties and have more confidence to proceed in risky decision-making. In terms of board size, if a large board is better at promoting CE, pressures from the environment may induce greater conflict among board members as well as between the
board and the CEO. Environmental turmoil may damage the information process and any coordinated action (Eisenhardt, 1989c), constraining the advantage of a large board has in enhancing CE. Alternatively, the assumed positive relationship between board size and corporate entrepreneurship may be negatively moderated by environmental hostility.

This study therefore expects corporate governance effectiveness to be weakened or strengthened commensurate with management perception of the extent of environmental hostility.

**Hypothesis 11**: The degree of perceived environmental hostility moderates the relationships between governance and ownership in such a way that the relationships posited in hypotheses 1 to 8 will be stronger in a low hostility environment than in a high hostility environment

### 4.4. Conclusion

Based on the literature review presented in Chapter 3, Chapter 4 presents several contrasting theories employed in corporate governance research, and generated hypotheses based on those theories. Using insights from, among others, Agency, Stewardship, Institutional and Resource Dependence theories, this pointed to ownership and governance antecedents for corporate entrepreneurial activities in Vietnamese privatised firms. Figure 8 illustrates the conceptual model, showing the study variables and theories which underlie this study.

![Figure 8: Research questions, Variables of Interest and Theories](image)
More concretely, for each relationship tested there is one main hypothesis (referred to as hypothesis a) and one alternative hypothesis (hypothesis b). Table 5 summarises the hypotheses tested in this study.

**Table 5: Summary of Hypotheses Tested in this Study**

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Independent Variable</th>
<th>Theories</th>
<th>Directions</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1a</td>
<td>CEO duality</td>
<td>Agency Theory</td>
<td>Negative</td>
</tr>
<tr>
<td>H1b</td>
<td></td>
<td>Institutional Theory</td>
<td>No association</td>
</tr>
<tr>
<td>H2a</td>
<td>TMT board membership</td>
<td>Agency Theory</td>
<td>Negative</td>
</tr>
<tr>
<td>H2b</td>
<td></td>
<td>Stewardship Theory</td>
<td>Positive</td>
</tr>
<tr>
<td>H3a</td>
<td>Outside ratio</td>
<td>Agency Theory and Resource Dependence Theory</td>
<td>Positive</td>
</tr>
<tr>
<td>H3b</td>
<td></td>
<td>Institutional Theory</td>
<td>No association</td>
</tr>
<tr>
<td>H4a</td>
<td>Board size</td>
<td>Agency Theory</td>
<td>Negative</td>
</tr>
<tr>
<td>H4b</td>
<td></td>
<td>Resource Dependence Theory</td>
<td>Positive</td>
</tr>
<tr>
<td>H5a</td>
<td>Managerial ownership</td>
<td>Agency Theory</td>
<td>Positive</td>
</tr>
<tr>
<td>H5b</td>
<td></td>
<td>Stewardship Theory</td>
<td>No association</td>
</tr>
<tr>
<td>H6a</td>
<td>Institutional ownership</td>
<td>Efficiency augmentation perspective</td>
<td>Positive</td>
</tr>
<tr>
<td>H6b</td>
<td></td>
<td>Efficiency Abatement perspective</td>
<td>Negative</td>
</tr>
<tr>
<td>H7a</td>
<td>Ownership Concentration</td>
<td>PA Agency Theory</td>
<td>Positive</td>
</tr>
<tr>
<td>H7b</td>
<td></td>
<td>PP Agency Theory</td>
<td>Negative</td>
</tr>
<tr>
<td>H8a</td>
<td>Board monitoring</td>
<td>Agency Theory</td>
<td>Positive</td>
</tr>
<tr>
<td>H8b</td>
<td></td>
<td>Organisational Theory</td>
<td>Negative</td>
</tr>
</tbody>
</table>
Chapter 5: Research Strategy and Methodology
5.1. Introduction

This chapter aims to describe the methodology employed in this research. Section 5.2 presents the research’s philosophical stance and research strategy. The next three sections discuss three stages of research design which include exploratory research, survey method and case study method, respectively presented in Section 5.3, Section 5.4, and Section 5.5. Section 5.3 provides a discussion of the initial exploratory study which is based on in-depth interviews with CEOs and chairpersons of the privatised firms. The data from this stage is used to develop the theoretical framework of this study. Section 5.4 explains how a survey method was conducted with details of how constructs are measured, how the questionnaire is developed and how data is collected. Section 5.5 presents the case study method, which includes case study design, case selection and data collection.

5.2. Research Strategy

5.2.1. Research Philosophy

There are several types of philosophies that researchers adopt in doing research, such as instrumentalism (Friedman, 1953), positivism (Hempel, 1935), critical realism (Archer and Bhaskar, 1998), pragmatism (Rorty, 1982), interpretivism (Schwandt, 1994, Burrell and Morgan, 1979, Weick, 1979), hermeneutism (Bleicher and Bleicher, 1980) and social constructivism (Berger and Luckmann, 1966). The main paradigms that are considered to be the two primarily contrasting ones are positivism/post-positivism and constructivism/interpretivism (Creswell and Clark, 2007). The ontological position behind positivist models is that there is one and only singular reality that is out there waiting to be discovered by objective and value-free inquiry that underlies what is called quantitative methods. In contrast, in the interpretive approach, there is no such thing as a single objective reality and there is no reality independent of our minds. With interpretivism, “subjective inquiry is the only kind possible to do” and can be discovered through qualitative research methods (Creswell and Clark, 2007). With constructivism, reality is socially constructed (Berger and Luckmann, 1966) and the knowledge is created within the context of the phenomenon that shapes the inquiry (Guba and Lincoln, 1994).

Researchers have tried to construct another framework that accommodates the diverse nature of such studies (Creswell and Clark, 2007), which falls within one or the other paradigm, called critical realism. A critical realist perspective integrates the objectivist quantitative and subjectivist qualitative approaches (Robson, 2002). The approach most likely to relate to mixed-methods research (Tashakkori and Teddlie, 2009), though clearly not the only one, is pragmatism. This paradigm offers a perspective different from positivism/post-positivism and constructivism and focuses on the research problem and the consequences of the research (Brewer and Hunter,
1989, Tashakkori and Teddlie, 1998). Pragmatism accepts that there are singular and multiple realities that are open to empirical inquiry and orient themselves toward solving practical problems in the “real world” (Dewey, 1925, Rorty, 1999). Therefore, pragmatism allows the researchers to be free of the mental and practical restraints imposed by a “forced choice dichotomy between post-positivism and constructivism” (Creswell and Clark, 2007, p. 27). In other words, pragmatism does not necessarily fall into a single paradigm but is founded within different paradigms (Johnson et al., 2007, Denscombe, 2008). “Pragmatists” view of the measurable world relates more closely to an “existential reality” (Dewey, 1925, p. 40). This reality refers to an experiential world with different elements or layers, some objective, some subjective, and some a mixture of the two.

The ontological position of critical realism is that there exists a world independent of researchers’ knowledge. In the meantime, epistemological perspective of critical realism is that researchers’ knowledge about the world is socially produced. Critical realists affirm the possibility of the truth but they acknowledge that a human being is limited in claiming to indubitable or objective knowledge (Miller and Tsang, 2011). Clearly, these two claims support the possibility of evaluating alternative theories (Miller and Tsang, 2011). Given the fact that this research aims to explore the new phenomenon in the new contexts, which requires the employment of multiple theories, critical realism is, therefore, an appropriate standpoint in this regard.

Rossman and Wilson (1985) were among the first scholars to associate pragmatism with mixed methods research. Recently, Tashakkori and Teddlie (2003) reinforced this linkage. Whereas some scholars argue that a combination of quantitative and qualitative research is impossible because each is based on incompatible epistemological principles (Bryman and Bell, 2007), pragmatists argue that quantitative and qualitative methods are compatible. On the other hand, critical realists assume that the statistically derived covariations between variables are only superficial representations of causal powers in real mechanisms (Modell, 2009). Therefore, they are insufficient for providing an in-depth understanding. Critical realists suggest gathering in-depth qualitative data as a strategy for understanding context-specific causal mechanisms (Bhaskar, 1998). More generally, mixed-methods help to produce a more complete picture, whilst also helping the researcher to avoid biases arising from mono-method design (Denscombe, 2008, p. 272).

As such, adopting the pragmatist paradigm and critical realist philosophical viewpoint is probably the appropriate choice in order to provide knowledge relating to corporate governance issues, as well as their effects, in promoting or hindering corporate entrepreneurial activities in privatised firms of transition economies. The rationale behind this philosophical stance is that neither quantitative nor qualitative methods are sufficient to capture the factors shaping the effectiveness
of internal corporate governance mechanisms and promoting firms’ risk-taking propensities. From deductive logic, a quantitative method is employed to identify the governance factors that impact on CE. On the other hand, a qualitative approach is employed to identify the insightful mechanisms of corporate governance that might affect CE. Therefore, this approach is necessary to provide a comprehensive understanding of the complex social realities of the privatised firms operating in Vietnam under-research.

5.2.2. Mixed-Methods Strategy

Researchers suggest that studies in the entrepreneurship field should pay more attention to the nature, uniqueness, dynamics of the research context (Chell et al., 1991, Zahra, 2007). In this regard, mixed-methods studies may help in effectively contextualizing entrepreneurship research. In particular, the combination of quantitative and qualitative data facilitates the examination of the hypothesized relationships and provides the elaboration and interpretation of the results of econometric analyses. Further, employing separate analysis using more than one method provides the possibility of “between-method” triangulation, which helps to enhance the answering the research questions (see Jick, 1979). On the other hand, mixed method design has the advantage of combining the strengths of both methods. Whereas the quantitative method is beneficial due to its objectivity, interviews provide the depth of meaning underlying the hermeneutic nature of phenomena. This research, therefore, responds to the recent calls for mixed methods design (Bansal and Corley, 2011) by employing a mixed methods strategy which involves a survey and case study.

The main data collection tool in this study is a survey questionnaire. Information from qualitative data generated through case study research is used as complementary evidence to provide a detailed explanatory analysis. More specifically, given the fact that elaboration is the main objective of a qualitative study, the purpose of the design is to explain, support and expand the initial quantitative results by collecting qualitative data (Creswell and Clark, 2007). In other words, the survey methodology serves to guide the whole study and is followed by qualitative methods, in order to provide more details and insights about the relationships between board governance, ownership structure and board monitoring and CE.

Implementation within a mixed-methods study can be concurrent or sequential (Tashakkori and Teddlie, 1998). As described above, this study employs a sequential explanatory design procedure described in Creswell and Clark (2007). In the first stage, I developed hypotheses regarding the effects of boards of directors, ownership structures and board monitoring on CE. A combination of primary and secondary data from 114 CEOs of privatised firms was employed to test the hypotheses. In the second stage, a qualitative instrument was developed with in-depth interviews with key stakeholders from six firms in three industries (2 firms were investigated in each industry
The purposive sampling of the qualitative phase is guided by the results from the quantitative phase. The sequential explanatory design is selected because it can provide a complete analysis of the relationships between ownership, governance and CE. On the other hand, the sequential, two-phase procedure could allow a straightforward implementation (Creswell and Clark, 2007), which is more suitable to the scope of a doctoral study.

Regarding the priority, mixed-methods researchers can give equal priority to quantitative and qualitative research, or focus more on quantitative or qualitative parts. Creswell (2009) indicates that the priority is based on the aims of the research. Arising from the research question that aims to seek for the antecedents of CE, and trying to understand the underlying reasons behind these relationships, this study follows the dominant method, where greater attention is paid to quantitative methods.

Integration of the quantitative and qualitative methods in the study is indicated in the research question, sampling, instrumentation, and conclusion (Yin, 2006). In this study, the integration is first reflected in the research questions which aim to answer the questions “to what extent” and “how far” corporate governance influences CE. With regard to the sample, the quantitative survey is of CEOs of privatised firms, whereas the sample of the second qualitative interviews are TMT members and board members of six privatised firms whose CEOs did not participate in the first phase. The objective is to avoid potential bias caused by the questions asked in the first stage. The sampling is designed to avoid the possibility that interviewed CEOs would understand the objectives of the study after the first phase and therefore be unduly influenced by that knowledge. In addition, the scope is narrowed by the number of firms investigated, but the types of informants are extended in the second phase, reflecting the objective of further exploring the phenomenon. Further, selection of case studies is partly based on the practice of data collection in the first phase. With respect to instrumentation, integration is reflected through commonality between items in the questionnaire and questions in the interview protocol. Alternatively put, the interview questions were developed based on the preliminary analysis of the survey. In the conclusion, quantitative findings, with elaboration through qualitative data, is expected to provide a comprehensive picture of the effects of corporate governance on the CE of privatised firms.

In addition, owing to the newness of the research setting, there still needs to be a basic knowledge of the main antecedents of CE in the specific context under study. For this reason, I introduce a qualitative study which is used as exploratory research and carried out before the main quantitative survey. In this exploratory qualitative research, I identified the key themes considered to be important antecedents for entrepreneurial activities of privatised firms. Eventually, I selected adequate dependent and independent variables, as well as measures for the following quantitative survey. However, it should be noted that, since the objective of the
exploratory study is to improve the quality of survey instrument, this part plays only a minor role in the whole study.

In sum, this research is characterised by three sequential mixed method designs, including an exploratory stage, a questionnaire survey and qualitative data collection. The details of the timing of the three stages are shown in Table 6. The following sections describe the details of these three stages. This three-stage approach and three data sources (interviews, survey and archival data) contribute to the strength of the study, to reducing common biases and to validating the data.

**Table 6: Three Research Stages**

<table>
<thead>
<tr>
<th>Stage number</th>
<th>Stage</th>
<th>Time</th>
<th>Number of informants</th>
<th>Data collection method</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Exploratory research</td>
<td>July—August 2012</td>
<td>16 CEOs</td>
<td>Open interview</td>
</tr>
<tr>
<td>2</td>
<td>Survey study</td>
<td>Feb—March 2013</td>
<td>128 CEOs</td>
<td>Structured questionnaire</td>
</tr>
<tr>
<td>3</td>
<td>Case study</td>
<td>July—August 2013 and Feb 2014</td>
<td>34 TMT members and board members</td>
<td>Semi-structured interview</td>
</tr>
</tbody>
</table>

### 5.3. The Exploratory Research Stage

It is suggested that the qualitative part may help to improve the understanding of a specific context, and facilitate the development of theory and hypotheses. The goal of the exploratory research was to enrich the practical ideas of the study and to elaborate the measures. The exploratory study was divided into two groups: the first aimed at refining the research model; the second at conducting a preliminary study of the measures.

Prior to the main research phase, sixteen interviews were conducted with the CEOs of the privatised firms. The exploratory study aimed to explore specific features of privatisation, the dynamics of corporate governance of the firms after privatisation, and their impact on CE. The interviews helped to guide the researcher to identify the governance and ownership antecedents of CE in the context of Vietnamese privatised firms. I approached the respondents knowing what dimensions to look for but having no clear understanding of which particular types would emerge. The exploratory study also provided the initial ideas of how CEOs perceive the concept of CE. As such, the purpose is to enrich theoretical ideas and to clarify concepts to be covered in this the study.

Due to the sensitivity of the research content, and in order to get the best information from respondents, I employed convenience sampling. I started by contacting the CEOs with whom I have good friendships so that I could achieve high flexibility in the interviews. I also asked for
support from my university colleagues who could put me in touch with the CEOs of some privatised firms. A list of the participants is show in Annex 4.

The interviewees are the experienced informants who could provide deep information about privatisation process in Vietnam, the change in corporate governance, and its impact on CE. Of the interviews, six were either friends or people with whom I have working relationships. They were very enthusiastic about providing their views on the issues discussed.

The conversations were recorded, and the interviewees were informed of the recording and transcription of the conversation. However, there were two respondents who did not allow the interview to be recorded. For these respondents, I used hand-written notes during the interview. The interviews were extensive, lasting from 1 to 2 hours each, with an unstructured protocol, following a core set of questions. The interviews were open-ended but included the questions used to identify the governance factors influencing entrepreneurial activities. General questions revolved around the process and specificities of privatisation; the drawbacks of the privatisation process; and how firms changed after privatisation, in terms of strategy, development, and long-term investments. The CEOs were also asked to discuss the roles of different members of the board of directors and different types of investors to the development of firms. The second part of these interviews focused on verifying perceptions, norms, comments, terminology, measures of entrepreneurship. Finally, the researcher analysed data to define the determinants that influence CE in Vietnam. Types of archival data that need to be collected for the main study were also identified based on these interviews.

The analysis suggests three main groups of factors that affect CE: board composition, ownership structures, and board monitoring. In addition to the findings from the exploratory study, I conducted a thorough literature analysis in order to develop a conceptual framework and formulate hypotheses. The applicable hypotheses are discussed in detail in Chapter 4. Indeed, rather than the categorisation being merely driven by either theory or data, complementing data with theory was considered as a better strategy that improves the study’s validity (Tsoukas, 1989).

5.4. Survey Method

This part of the research is to examine the relationships between board governance, ownership structure, board monitoring, and CE, as perceived by the CEOs of Vietnamese privatised firms. The survey is conducted in order to answer the extent to which there are associations between the elements of corporate governance and CEO’s perceptions of entrepreneurial activities, as represented by the three dimensions of CE. This section presents method and procedures for
conducting the survey, including research design, sampling, data collection, operationalization of variables and data analysis method.

5.4.1. Research Design

The study design involves analysing the direction and magnitude of relationships between eight governance antecedents and three dimensions of CE for a sample of Vietnamese privatised firms at a single point in time, in order to determine the extent to which those antecedents are related to CE. The study utilised survey methods, necessary because data on corporate strategy are unavailable or very difficult to obtain from secondary sources in Vietnam. The use of a survey provided a good opportunity to develop first-hand data unique to understanding the phenomenon under study.

5.4.2. Sampling and Data Collection

The focus of this research is the CE of privatised firms in Vietnam. The population includes all types of privatised firms, including those sold to the public through a share issue and the firms that were sold to individuals and organisational investors. The sample is limited to firms that had been privatised for more than three years. The CEOs of these firms should have worked for at least one year at their firm at the time of interview.

To obtain information related to the variables in the model, I employed a combination of survey methods and secondary sources. The structured questionnaire survey, which collected data on three dimensions of CE, was supplemented with archival data on boards’ characteristics and ownership structure of interviewed firms. Company data were collected separately in order to limit the length of the questionnaire. Since Peng and Luo (2000) found a high correlation between self-reported data and archival data in China and, given that fact the reported data in Vietnam is not available, this study employs subjective indicators for CE measures. A firm’s proxy statements were used to collect detailed information about CEOs, chairmen and board composition. For the listed companies, data were obtained from the Internet; data for non-listed firms were directly collected from the firms. The data covers the period of three years from 2010 to 2012.

The survey targeted CEOs because they could provide unique knowledge, a comprehensive view of CE activities (Zahra, 1991, Kuratko et al., 1997) and perceptions regarding the overall performance of their firms. Indeed, Hambrick (1981) noted that CEOs are typically the most knowledgeable persons regarding their companies’ strategies and overall business situation. In this research, CEOs are usually those who have directly experienced their firm’s privatisation process and have been involved in the governance mechanisms. Therefore, they are the best persons to offer answers to the survey questionnaire.
There were about 4,000 privatised firms spread over the whole of Vietnam and across all types of industries at the end of 2012, the end point of time of the study. In principle, probability sampling is preferred, in order to ensure the sample is representative. However, since the respondents were CEOs of privatised firms, most of whom were top managers of previously SOEs or government bureaucrats, they implicitly maintained power from the old system. Therefore, the population of this study is considered to be difficult to reach. Moreover, although the total number of privatised firms is nearly 4,000 firms, it is spread across 64 provinces and cities in a country of about 90 million people (as of 01/11/2013). As such, the population is both relatively small and physically difficult to approach. This approach enables the researcher to select the most accessible subjects. Therefore, a convenience sampling method was chosen as the most appropriate to locate members of populations. However, because convenience sampling is inevitably prone to selection bias because sampling depends on the social network of the researchers (Van Meter, 1990), a lot of effort was made to ensure the diversity of board composition, ownership structure, location and size.

Because mail and telephone surveys for this type of data often have poor response rates, and face-to-face collection increases face validity (Patton and Baker, 1987), I conducted personal interviews to gather the data. Although an interview and questionnaire may produce the same results (Gibson and Hawkins, 1968, Goyder, 1985), this conclusion is only correct when questions are familiar to the respondents and when the concepts in the questions are clearly defined (Schober and Conrad, 1997). Given the fact that the questionnaire in this study embodies several concepts and terms that are unclear and may be inconsistently understood, face-to-face interview helped to ensure that the respondents understood the questions consistently (Fowler, 1992). Moreover, Sayles et al. (2010) suggested that interviewing is a preferred method, due to its greater reliability in retrospective reports. Importantly, as Suchman and Jordan (1990) argued, a standardised questionnaire may reduce response accuracy due to inflexibility leading to for respondents being unable to understand the questions, I allowed for the flexibility and asked the respondents to give examples or provide further explanations for the responses about which I felt sceptical or insufficiently informed. Also, I sometimes departed from the questionnaire’s wording to ensure that the respondents understood the questions (Conrad and Schober, 2000). Indeed, Schober and Conrad (1997) found that that flexible interviewing is more likely to produce a higher degree of accuracy when respondents are unsure about question circumstances. This approach is particularly appropriate in the context of Vietnamese privatised firms, where the educational level significantly varies among the respondents. However, it is worth noting that face-to-face interviewing is more disadvantageous in comparison to conventional questionnaires in terms of interviewer variance. Therefore, this study employed standardised survey interviewing to reduce interviewer-related error (Fowler Jr and Mangione, 1990).
Chapter 5: Research Strategy and Methodology

In this study, I started from the initial contacts, which included friends and relatives who had direct and indirect relations with businesses. These totalled 153 individuals. I contacted them by telephone and asked if they had any relationships with CEOs of privatised firms. Given the fact that many people could not distinguish the form of different types of enterprises, I sent them a list of privatised firms located in their region, including the names of CEOs. This list reminded them about the CEOs they knew or had contact with. Then, whenever my friends or relatives confirmed that they knew one or some of these CEOs, I would explain the specific need for help, as well as the content and requirements of the survey. This approach allows the best respondents to be selected, based on the availability of the respondents.

If my friends or relatives requested a cover letter and questionnaire, I sent them these documents (Annex 6, Annex 8). The friends then contacted the potential informants by phone, acquired their consent and encouraged their participation in the interview with me. When the CEOs agreed to participate in the study, I called the CEOs to introduce myself, explained more details about the research and requested an appointment. I also confirmed with the CEOs that their answers would be anonymous. To increase the likelihood of CEO participation, I used the fast post service to send them a package which included a cover letter that discussed how the current study would be implemented, and how it would be of interest to CEOs and investors in public firms (Annex 6). I also sent the questionnaire to ensure that they could read it before the interview if they wanted to. My short curriculum vitae was included in the package. To make sure that the respondents do not to forget the appointment and to be kept updated on the interview appointment, I always maintained an appropriate time distance between the first call my friends made to respondents and the interview, which was about one week to ten days. Finally, I conducted interviews with 128 CEOs whose firms were located in 13 provinces and cities. The information of the numbers of CEOs who were contacted and agreed to attend, or missed and refused to participate is listed in Table 7. The main reason for CEOs not participating in the interview was time issues.

Table 7: Summary of the Data Collection Activities

<table>
<thead>
<tr>
<th>Number</th>
<th>Description</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Number of friends and relatives being contacted</td>
<td>153</td>
</tr>
<tr>
<td>2</td>
<td>Number of CEOs being introduced</td>
<td>178</td>
</tr>
<tr>
<td>3</td>
<td>Number of CEOs being contacted</td>
<td>173</td>
</tr>
<tr>
<td>4</td>
<td>Number of CEOs who failed to be contacted</td>
<td>25</td>
</tr>
<tr>
<td>5</td>
<td>Number of CEOs who refused to participate the interviews</td>
<td>4</td>
</tr>
<tr>
<td>6</td>
<td>Number of CEOs who missed the interviews</td>
<td>14</td>
</tr>
<tr>
<td>7</td>
<td>Number of CEOs who were interviewed</td>
<td>128</td>
</tr>
<tr>
<td>8</td>
<td>Number of firms providing sufficient data</td>
<td>114</td>
</tr>
</tbody>
</table>
After the interview, I required financial statements and specific information about ownership, boards of directors, top management teams and financial information. To make it easy for the firm to provide the information, I gave them an information sheet, as demonstrated in Annex 9 and Annex 10, in English and Vietnamese, respectively. Later on, I contacted the coordinator by telephone or email to ask for information and remind them to send the information sheet. Because not all information is readily available and some information requires calculations, much information can be missed. Therefore, I had to conduct several follow-ups to get sufficient information. I interviewed 128 firms and was able to assemble complete board structure and characteristics data for 114 of these. Thus, 114 companies were used in the final analysis. At the end of data collection, I sent a thank-you card to my friends who had introduced me to the CEOs and the participants.

5.4.3. Survey Instrument

5.4.3.1. Questionnaire Design

Several steps were conducted in order to develop a survey instrument. Special care was given to different levels, special items, language, response format, questions order, scale types, design, and general context. This section describes how the questionnaire was developed.

Based on the key themes which have emerged from in-depth interviews with the CEOs in the exploratory research and the examination of the literature review, a questionnaire was composed. Given that the goal of this study is to examine how corporate governance, ownership and board ties contribute to the level of entrepreneurship, a survey instrument containing 37 items was used to collect information relating dependent, independent and moderating variables. The number of items remained at a minimum level, in order to assure the timing of the survey and reduce the monotonousness of the interview (Noelle-Neumann, 1970). For dependent variables, both CE and firm performance were the variables that needed to be answered in the questionnaire. For independent variables, whereas ownership and board characteristics could be retrieved from the annual report, board monitoring was the subjective measure that needed to be answered by the respondents. As such, only board monitoring was an independent variable in the questionnaire. Lastly, in the assumption that the environmental factors might have moderating effects on the relationships between governance, ownership and CE, the questionnaire included items asking respondents to rate the current business environment. Some basic information of the participants and sectors of the firms were also collected in the questionnaire. A detailed description of variables of the instrument is presented in the next section. The questionnaire was designed as closed-ended, and is demonstrated in Annex 7 and Annex 8, with versions in English and Vietnamese, respectively.
Following Podsakoff et al. (2003, p. 889), I told the respondents that “there are no right or wrong answers” and that the data would be kept confidential and would be used in aggregate form. These procedures would help to reduce evaluation apprehension and “make them less likely to edit their responses to be more socially desirable, lenient, acquiescent, and consistent with how they think the researcher wants them to answer.” Also, as suggested by Podsakoff et al. (2003), I had a short introduction and informal conversation to make them less sceptical about the coming interview and feel more comfortable about answering the questions. Although the findings on question order effects have been inconclusive (McFarland, 1981), a majority of prior studies suggest that general questions should precede more specific questions (Kornhauser and Sheatsley, 1976). The aim is to make the story run more smoothly and to enable ease of response for interviewees. In addition, given the results found by prior research, that a minor changes can affect response (Rasinski, 1989), wording was carefully checked through the pilot test, back translation and expert review, which is presented in the following section.

Further, to avoid possible bias generated by retrospective data, the questions referred to the last three years of activity, in order to ensure that managers remembered precise information. More importantly, as suggested by Schaeffer and Presser (2003), I repeatedly told the respondents about the reference period at the beginning of each question. On the other hand, as prior research found that people tended to choose the middle response when it is explicitly offered as a choice (Bishop, 1987, Presser and Schuman, 1980), a six-point Likert scale was used for CEOs to express their agreement or their rating of each item.

The procedures of translation, expert review and pre-testing are described in Annex I1.

5.4.3.2. Variables and Measures

The operationalization of variables included in the hypotheses is described below. First are the dependent variables, next the independent and moderator variables and last are the control variables.

Dependent variables

Corporate entrepreneurship

Given that there have not been a consensus on the definition of CE and therefore the well-defined measures of CE, this study carefully reviewed the related literature to select and refine the measurement instrument for use in this study. The procedure to refine the measures is presented in Annex 14. A final instrument was developed to measure corporate entrepreneurship in this study (Table 8).
Table 8: Corporate Entrepreneurship Scale

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Items</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Innovation</strong></td>
<td>You spent heavily (well above your industry average) on research and development</td>
</tr>
<tr>
<td></td>
<td>You introduced a large number of new products/services to the market</td>
</tr>
<tr>
<td></td>
<td>You pioneered the development of the products/services that are NEW to the firm and NEW to the Vietnamese market</td>
</tr>
<tr>
<td></td>
<td>You used process technologies/service solutions that are similar to other companies (Reverse)</td>
</tr>
<tr>
<td><strong>Business venturing</strong></td>
<td>You established or invested in several new ventures</td>
</tr>
<tr>
<td></td>
<td>You diversified into new industries in Vietnam</td>
</tr>
<tr>
<td></td>
<td>You expanded your international operations significantly</td>
</tr>
<tr>
<td></td>
<td>You focused on improving the performance of your current business, rather than entering new industries (Reverse)</td>
</tr>
<tr>
<td><strong>Strategic renewal</strong></td>
<td>You changed your competitive approach (strategy) for business units</td>
</tr>
<tr>
<td></td>
<td>You initiated several programs to improve the productivity of your business units</td>
</tr>
<tr>
<td></td>
<td>You reorganized operations to ensure increased coordination and communication among your business units</td>
</tr>
</tbody>
</table>

**Independent variables**

*CEO duality* is evident if and only if the CEO also serves as board chairperson. Duality is a dichotomous variable that takes the value of one if the CEO and board chair are separate individuals; and takes the value of zero if the CEO also serves as the company’s board chair.

*TMT board membership* is represented by the proportion of the board of a firm made up of executives, who are defined as the TMT in the company’s prospectus and actively involved in management (Kroll et al., 2007).

*Outside ratio* is measured by dividing the number of independent non-executive directors by the total number of directors on a company’s board. Independent non-executive directors were defined as directors without current or past professional or personal associations with the company. Other directors are defined as affiliated outside directors (Barnhart et al., 1994, Pearce II and Zahra, 1992). Similarly, state representatives are defined as quasi-inside directors or affiliated directors (Peng, 2004).

*Managerial ownership* is defined as the percentage of total company stock held by the company’s TMT members.

*Institutional ownership* is used to define the percentage of shares held by all domestic institutions, in relation to the total number of outstanding shares. However, in this study, ‘institutional’ is transformed into a dummy variable where, if the firms have institutional investors, it is coded 1.
and 0 otherwise. The reason for this dichotomous variable is because the institutional ownership accounts for only a small proportion of shareholding in privatised firms and about 40 percent of privatised firms have no institutional investor. It should be noted that institutional investors include all legal persons and institutions where the state owns less than 50 percent.

*Ownership concentration* will be measured as the total percentage of shares held by the five largest shareholders.

**Board Monitoring**

The following questions were used by Westphal (1999, p. 24) as measures of control of the board over CEO's management:

1. To what extent does the board monitor top management strategic decision-making?

2. To what extent does the board formally evaluate your performance?

3. To what extent does the board defer to your judgment on final strategic decisions?

Table 9 summarises all independent variables with information relating to measures, value and reference.

**Table 9: Description of Independent Variables**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Measure</th>
<th>Value</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO duality</td>
<td>CEO duality takes the value 1 when the CEO also serves as chairperson of the board and 0 otherwise.</td>
<td>0 or 1</td>
<td>Daily and Dalton (1993); Daily and Johnson (1997); Finkelstein and D'Aveni (1994)</td>
</tr>
<tr>
<td>TMT board membership</td>
<td>Proportion of the board of a firm made up of executives</td>
<td>0 to 1</td>
<td>Kroll et al. (2007)</td>
</tr>
<tr>
<td>Outside ratio</td>
<td>The number of outside directors divided by the total number of directors</td>
<td>0 to 1</td>
<td>Cochran et al. (1985); Johnson et al. (1993) and Wright et al. (1996)</td>
</tr>
<tr>
<td>Board size</td>
<td>The total number of directors on the board</td>
<td>Continuous</td>
<td></td>
</tr>
<tr>
<td>Managerial ownership</td>
<td>Percentage of equity held by TMT</td>
<td>0 to 100%</td>
<td>Hansen and Hill (1991); Kochhar and David (1996)</td>
</tr>
<tr>
<td>Institutional ownership</td>
<td>Takes the value of 1 if the firm has institutional investors</td>
<td>0 or 1</td>
<td></td>
</tr>
<tr>
<td>Ownership concentration</td>
<td>Proportion of firm shares owned by top 5 large shareholders</td>
<td>0 to 100%</td>
<td>Xu and Wang (1999); Claessens and Djankov (1999); Shleifer and Vishny (1997)</td>
</tr>
<tr>
<td>Board monitoring</td>
<td>Four items; Respondents were asked to rate the items along a six-point scale (1= Minimally to 6=Very much)</td>
<td>1 to 6</td>
<td>Westphal (1999)</td>
</tr>
</tbody>
</table>

**Moderator Variables - Environment**

Despite of several instruments used in literature, the most thorough and widely used method of measuring the environment was that developed by Miller and Friesen (1982b). As discussed in
Chapter 3, this includes three multiple dimensions to measure the perceived environment, including dynamism, heterogeneity and hostility.

**Definition of Environmental Dimensions (Miller and Friesen, 1983)**

**Dynamism** in the environment is manifested by the amount and unpredictability of change in customer tastes, production or service technologies, and the modes of competition in the firm's principal industries.

**Hostility** in the environment is evidenced by price, product, technological and distribution competition, severe regulatory restrictions, shortages of labour or raw materials, and unfavourable demographic trends (e.g. the drying up of markets).

**Heterogeneity** in the environment concerns differences in competitive tactics, customer tastes, product lines, channels of distribution, etc. across the firm's respective markets. These differences are only significant to the extent that they require very different marketing, production and administration practices.

**Table 10**: Environmental Dimensions

<table>
<thead>
<tr>
<th>Number</th>
<th>Dimensions</th>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Dynamism</td>
<td>The rate of product obsolescence in your industry is high</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>In your industry, methods of production change often and in major ways</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>Your firm must change its marketing practices frequently</td>
</tr>
<tr>
<td>4</td>
<td>Heterogeneity</td>
<td>You are a very diversified firm</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>There are great differences amongst the products/services you offer, with regard to customers' needs</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>Market dynamism varies a great deal from one line of your business to another</td>
</tr>
<tr>
<td>7</td>
<td>Hostility</td>
<td>Your business environment causes a great deal of threat to the survival of your company</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>The actions of your key competitors are unpredictable</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td>The interference of central government is a major challenge in your industry</td>
</tr>
<tr>
<td>10</td>
<td>Macro</td>
<td>Overall, local government has provided strong support for the firms in your region</td>
</tr>
<tr>
<td>11</td>
<td></td>
<td>General macroeconomic context has not affected your business activities</td>
</tr>
</tbody>
</table>

**Control Variables**

Several studies have shown the variables that have relationships with strategic decisions or firm performances. Therefore, to control for other possible explanations for the hypothesised relationships, some important variables are included in the analysis. In the light of previous studies on corporate governance and CE (e.g., Zahra, 1996a, Zahra et al., 2000b), this research includes
control variables, such as firm age, firm size, industry type, debt-to-common-equity ratio, liquidity, or geographical location.

**Listed firm.** I control for whether the firms are listed on the stock exchange. A dummy variable with a value of 1 indicates that the firms are listed on the stock exchange, and a value of 0 indicates otherwise. Prior studies in China found that firms that undergo public listing perform better than those that do not (Lin and Zhang, 2009). On the other hand, listed firms may have more incentives to restructure and invest in long-term projects than non-listed ones.

**Firm assets** are also included as an additional proxy for the size of the firm because it may also influence firms’ investments in CE. I control for firm assets by using the logarithm of the three-year average of firms’ total assets, from 2010 to 2012. It is expected that larger firms should invest more in CE.

**Firm size** has been recognized to influence R&D expenditure (Baysinger and Hoskisson, 1989). Company size is also known to have negative associations with innovation (Acs and Preston, 1997) because smaller firms are more prone to innovate than larger firms. On the contrary, company size has a positive relationship with venturing (Porter, 1987) because larger firms have more resources and skills for this. Importantly, the large-sized previous SOEs used to pay more attention to social objectives, such as employment and social welfare, rather than profit maximisation or value-creating objectives; therefore, they may be less likely to invest in CE. The total number of full-time employees is used as a proxy for firm size (Donaldson and Davis, 1991). To capture the potential confounding effect of firm size, I employed a natural logarithm of the total number of full-time employees of a company.

**Firm age** is presented by the time period from the founding date to 2012 (Mumford et al., 2003, Shefer and Frenkel, 2005), which was the end of 2012 in this study. Prior research argues that the older firms tend to be more inert and less dynamic than younger ones (Hannan and Freeman, 1989, Miller and Chen, 1996). In contrast, some researchers have contended that older firms could benefit more from the abilities or resources they have aggregated, such as networking and market experience. Therefore, they tend to be more involved in renewal activities. In particular, privatised firms with long histories have have more advantages due to strong relations with the government. As such, firm age could have both types of influence on CE, and therefore it is included as a control variable.

**Sales growth** is measured by the annual growth of total sales (Baysinger et al., 1991). Since the previous performance may affect the investment of firms in subsequent years, I control for past performance by using sales growth, which is considered to be the most telling measure of firm performance and reflects the ability of a venture to compete for customers and for limited resources (Florin et al., 2003). On the other hand, sale growth is employed to measure the effect
of CE on a firm’s growth (Daily and Dalton, 1993). Sale growth is measured by the year-to-year average change in sales of a company, calculated by subtracting the sales of a given year from its sales in the previous year and then dividing the difference by the previous year’s sales.

The debt-to-common-equity ratio was also considered because seriously leveraged companies have limited slack resources, which, in turn, put them in position not to invest in long-term projects such as CE (Hansen and Hill, 1991, Baysinger and Hoskisson, 1989). The debt-to-common-equity is measured as the three-year average ratio, defined as the company’s total liability divided by the total shareholder’s equity.

State ownership is measured by the proportion of shares owned by the government identities and the total common shares. It is widely found that state ownership has a negative influence on the outputs of firms. Prior research provides several evidence on the negative impact of state ownership on firm performance in transition economies (Claessens and Djankov, 1999, Xu and Wang, 1999, Qi et al., 2000, Peng, 2004). Presumably, state ownership may have certain impacts on the degree of CE of privatised firms in Vietnam and it is therefore necessary to control this variable.

CEO age was included because previous research has demonstrated that managers’ personal demographic characteristics affect their risk-taking behaviours (MacCrimmon and Wehrung, 1990). CEO age is measured using the natural logarithm of the age of a company’s CEO.

Industry type is a control variable because the different industries might be different in terms of entrepreneurial activities (Zahra and Garvis, 2000) and opportunities for innovation (Covin and Slevin, 1991, Zahra, 1993a). The firms in this sample belong to various industries and therefore enjoy different entrepreneurial opportunities. I followed the procedures of Amburgey and Miner (1992) for constructing industry dummy variables. Firms belonged to one of six industry groups, including manufacturing and mineral; service; wholesale and retail; finance and real estate; utility; and conglomerate. Wholesale and retail is the reference group.

Geographical location of the firms was also controlled by dummies, representing firms from Ho Chi Minh, Hanoi, Danang and others.

5.4.4. Methods and Models

5.4.4.1. Analytic Procedures

I employed multiple regressions for the estimation of the models. Ordinary least square (OLS) regression is used for continuous dependent variables (innovation, strategic renewal performance).
I created interaction terms between the variables of interest and environment variables. I compared restricted regression models without the interaction terms to full regression models to assess moderation effects. This comparison is a relatively conservative test of moderation, particularly when used to assess small samples and models in which the moderator is a categorical variable (Stone-Romero et al., 1994). I used the Stata 11.0 program and implemented the “robust option,” which computes standard errors that are robust to departures from “homoscedasticity.” To reduce potential multi-collinearity and enhance interpretability of coefficients, I standardized the variables used in the interactions prior to creating the product terms (Cohen et al., 2003).

This dissertation develops three sets of models to evaluate CE antecedents (innovation, business venturing and strategic renewal).

**Predicted innovation** = \( f(b_0 + b_1 \times \text{Duality} + b_2 \times \text{TMT board ratio} + b_3 \times \text{Outside ratio} + b_4 \times \text{Board size} + b_5 \times \text{Managerial ownership} + b_6 \times \text{Institutional ownership} + b_7 \times \text{Ownership concentration} + b_8 \times \text{board monitoring}) \)

Other equations with international expansion, domestic venturing and strategic renewal as dependent variables have a similar form.

### 5.4.4.2. Regression Diagnostics

To address the problem of outliers, I report the results from robust regression, which generates ordinary least square (OLS) estimates robust to the presence of outliers. To protect against multi-collinearity, I followed procedures outlined by Neter et al. (1989). Variance inflation factors (VIFs) were used to test for collinearity. VIFs for all regression equations were less than 2. The highest variance inflation factor was 1.35, which is well below the value of 10, the cut-off point recommended by Neter et al. (1985) and Chatterjee and Price (1991). These computations indicated that there was no evidence of problematic multi-collinearity. This result clearly rules out the presence of multicollinearity. Checks for the violation of the assumption of our regression analyses yielded no substantive violations.

### 5.5. Case Study Method

#### 5.5.1. Case Study Design

The objective of this study is to understand the complex relationships between corporate governance, ownership, Board monitoring and CE, and explores the mechanisms that contribute to the ability of privatised firms to initiate entrepreneurial ideas and involve them in CE. Le et al. (2010) noted that the current corporate governance literature provides inconclusive insights regarding the determinants of board effectiveness. This fact is more problematic in the context of transition economies, such as Central and Eastern Europe, Vietnam or China. While survey data
collected enables an understanding of the relationship between ownership, corporate governance and CE, qualitative data mainly collected through the interview data helps to investigate further the complex mechanisms that facilitate CE and to explain the reasons leading to the findings reflected at the quantitative stage. It tries to explain the phenomenon that have not yet been answered or understood from the quantitative study. In particular, this type of research is appropriate when researchers try to obtain valuable information from top managers of organisations and firms (McMillan and Schumacher, 2001). As Gerring (2007) noted, in-depth knowledge of a few case studies is more valuable than superficial knowledge of many cases. This qualitative stage aims to explore why and how the board members play their roles in enhancing CE. It specifically examines the interplay among board members, the top management team, in order to explore the dynamics of corporate governance that enhances the degree of risk-taking for CE. The knowledge and experience of the informants who have worked under the context of a post-privatisation company contain valuable data for the study. In addition, while the focus of the qualitative study is to discuss and interpret the results of quantitative analysis, this part of study also unravels new constructs and new linkages. It is further expected to provide richer underlying dynamics and operating mechanisms that lead to higher levels of CE by firms.

This part of the study will employ a multiple case study method (Yin, 2009). A case study is an empirical inquiry that examines a phenomenon with in-depth analysis and within its real-life context (Yin, 2009). Yin (2009) noted that case study research is appropriate whenever the research questions aim to answer “how” and “why” questions. Case study method is appropriate to this study because it aims to examine how corporate governance, ownership structures and the relations between the CEOs and board members facilitate CE. A multiple-case study is preferred over a single-case study because the results from a multiple-cases study are superior and more compelling than the results from a single-case study (Yin, 2009, Miles and Huberman, 1994). In the new context, where corporate governance and relationships within its context are so diverse and complex as in transition economies, a single case study would be insufficient to capture the picture of the effects of corporate governance and ownership structure on its outcomes.

The data collection and analysis will be guided by the research questions (Pettigrew, 1990) and a research framework (Eisenhardt, 1989b).

5.5.2. Case Study Selection

Case selection should be performed with criteria derived from the research framework (Yin, 2003). The following section will describe the sampling frame and case selection. The sampling frame includes privatised firms, including both firms that participated in the survey research and firms that did not. The selection depends on numerous factors that include control, accessibility and variation, as defined by the research objective (George and Bennett, 2005). As such, the
sample selection of this study considers the following elements: (1) Accessibility of the researcher to the chairman is high; (2) Most board members and executives agree to researcher access; (3) The firms have been privatised for at least three years; (4) CEO and chairman have been in their positions for at least one year.

It is very important to have access to all board members and executives to obtain comprehensive data that represents diverse views of corporate governance, as well as the entrepreneurial activities of the firms. The participants should be willing to share their knowledge and engage in the interview as openly as possible. Therefore, case selection is not a random process; purposive and convenience sampling is instead performed (Creswell, 2009, Tongco, 2007).

In addition, case study methodology provides an appropriate means to explore contextual circumstances inside the privatised firms. In particular, given the diversity and complexity of corporate governance in the context of these firms in the transition economy, the case study design using multiple and diverse industries and organizations is the most appropriate design to explore context-specific mechanisms of corporate governance that influence CE. Different types of ownership and different governance mechanisms within the different contexts will particularly give great opportunities to explore and understand the dynamics of the governance mechanisms and their relationship with CE. As such, firms from different industry groups, as well as polar cases (Pettigrew, 1990) with respect to degrees of innovation, venturing and renewal, were selected.

Sample size is defined based on the objective of the research and adequateness for producing sufficient discovery for a case study. Given the aim of understanding the different dynamics and specific mechanisms of governance and ownership that encourage CE, the purposive sample consists of six privatised firms from three categories of industry. The selection of cases is based on the level of CE. As such, two firms were sampled in each of three industries: one had high levels of CE, and one had low levels. The sampling of comparative cases is adapted for the purpose of interpretation, allowing the researcher to determine the main factors that create opportunities for innovation and renewal. In order to capture and maximize the diversity of industries, this study was based on industry classifications which divide the industries into three groups: labour-intensive industries, capital-intensive industries and knowledge-intensive industries.

Firstly, labour-intensive industry refers to an industry that requires substantial amounts of human labour to produce industrial products. As its name suggests, these labour-intensive industries use labour intensively. The ratio of labour to capital for this industry is much greater than the capital intensive one. Labour-intensive industries include industries such as garment, footwear, furniture, and textiles, and are less likely to invest in R&D and innovation, and seem to be more stable in their strategies. However, given the rapidly expanding worldwide system of trade flows, labour-
intensive industries increasingly become adopters of process innovation and promote international expansion. Therefore, CE in these firms plays a very important role in the survival and growth of firms. Also, in order to increase the effectiveness of the production system, they need to be more innovative. For developing countries like Vietnam, labour-intensive industries are more appropriate because these industries require low-skilled labour and less capital. Given that one of the main objectives of SOEs is to contribute to employment, there are many SOEs operating in these industries. Nonetheless, there are a lower percentage of privatised firms in these groups. In order to compare between the cases most effectively, this study focuses on the textile and garment industry.

Secondly, capital-intensive industries include industries such as drugs and pharmaceuticals, chemicals, metal and metal products, and automobiles. Notably, in these industries there is normally a continuous introduction of new technologies and products. In these industries, innovation is critically important for the survival and success of the firms. Therefore, an effective corporate governance mechanism that supports innovation is the main focus of these firms. In Vietnam, there are very few privatised firms that could be defined as capital-intensive industries.

Firstly, with cheap labour as the main advantage of the economy, Vietnam is a developing country where the economy largely depends on labour-intensive industries. Secondly, before privatisation, the privatised firms were SOEs, in which investment in capital was very limited. The government only spent a large amount of capital on key sectors, such as electricity, oil, and telecommunications. However, among several “capital-intensive like sectors”, the pharmaceutical sector is the most popular and appropriate in Vietnam, despite the fact the capital investment is not as high as the counterparts in developed economies.

Finally, knowledge-intensive industries include firms defined by Winch and Schneider (1993) as firms that “have only the expertise of their staff as assets with which to trade.” Knowledge-intensive firms are the firms that have well-educated, qualified employees as their main workforce (Alvesson, 1995, Morris and Empson, 1998). A majority of the knowledge-intensive firms are professional service firms with three main characteristics: knowledge intensity, low capital intensity and a professional workforce (Von Nordenflycht, 2010). As Phillips and Messersmith (2013b) remarked, professional service firms have continuously adapted to changing marketplace. The firms in these industries, therefore, have to find ways to provide better services at a faster speed and even at cheaper prices. In addition, to enhance their ability to deliver its services, professional service firms have to invest in internal technology resources. As such, internal strategic renewal is critical. Taken together, these firms depend largely on entrepreneurial initiatives for their survival. Similar to capital-intensive industries, not many privatised firms operate in knowledge-intensive industries. The most popular type in this industry is the “professional campus”, of which hospitals are the most common (Phillips and Messersmith,
2013a). However, the government did not privatise public hospitals. In contrast, the government has privatised almost all professional services. In this study, architecture and environmental service firms are selected for analysis.

Seventeen potential firms were initiated selected for contact, on the basis of access feasibility and appropriateness to research requirements. These potential firms were screened to determine the most appropriate cases, especially to seek firms that were representative of polar and comparative cases, in accordance with the degree of CE. The final sample comprised six privatised firms. Chapter 7 will describe these six companies’ corporate governance and their corporate entrepreneurial activities, which are important in the three aforementioned industries.

5.5.3. Data Collection and Interview Instrument

5.5.3.1. Data Collection

Creswell and Clark (2007) suggest what a good case study needs for the incorporation of multiple sources of information. Given that the objectives of this data collection stage is to understand the insights into the governance mechanisms existing within firms and their effects on CE, this study uses two types of data in case study research: archival data, such as annual reports, financial statements and interviews.

For interviews, I employed convenient sampling (Miles and Huberman, 1994, Patton, 2002) to identify the respondents. I began by contacting relatives or friends who had a good relationship with the chairpersons of these firms. Because this person is usually most influential in the firms, they could provide referrals to other members in their company more easily. The procedure is that the Chairperson identified the board members and the General Manager or CEO, and the General Manager or CEO identified the members of TMT. This first interview allowed me to gather preliminary information about the firms, as well as to conduct other interviews. After interview, the Chairpersons provided contact information of others involved or put me in touch with other potential respondents. Through this approach (Patton, 2002), I conducted interviews with all informants of the firms under investigation. However, in some cases this approach was unsuccessful, where the chairman did not agree to provide the contact information of other informants, or hesitated over doing this. As a result, I went on to consider other ways of approaching remaining respondents. 35 interviews were conducted. Most of interviews were conducted on site.

I collected the archival materials of each case to investigate background and entrepreneurial activities, such as product introduction, market expansion, and firm performance. Some of the data were available on websites, other internet sources or press articles, prospectuses provided for investors and some other materials were provided by the informants.
5.5.3.2. Research Questions and Interview Protocol

Given that a high degree of subjectivity of interview approach can make it difficult to justify CEO’s perception of the impact of environmental factors, this part of the study only focuses on answering three out of four research questions set out at the beginning of the chapter. The research questions and interview data are shown in Table.

Table 11: Research Questions and Interview Data

<table>
<thead>
<tr>
<th>Number</th>
<th>Research questions</th>
<th>Data</th>
</tr>
</thead>
</table>
| 1      | How does board structure influence CE? | • Archival data on the composition of the boards; information on board members;  
|        |                    | • In-depth interview about roles, ability of each board member to initiate entrepreneurial ideas and facilitating entrepreneurial activities |
| 2      | How does ownership structure affect CE? | • Archival data on ownership of managers, institutional investors, foreign investors and ownership concentration;  
|        |                    | • In-depth interviews about roles and effects of ownership on risk-bearing by managers |
| 3      | How do Boards monitoring effect of CE? | • In-depth interviews about relationship between boards and CEOs and their effects on CE |

Because the interview data collection phase follows the survey, semi-structured interviews (Merriam, 2014) were applied in combination with a series of open-ended questions. The semi-structured format is employed in order to keep the interview focused on the researched topics, while allows for flexibility in the interviews (Merriam, 2014).

The interviews began with questions about the firms, the industry, the strategy and recent changes. Then, with interview protocol, broad questions were guided throughout the interviews, ensuring that comparative data are collected. The main questions revolved around the roles, ability, board mechanism and top management team, and the relationship between the board members and CEO/Managers. Importantly, some questions were directed to exploit how new ideas were initiated and how governance and ownership elements affect the entrepreneurial spirit or long-term decisions. Interviews intensively focused on the detailed and context-sensitive information. During the interview, I sought to maximise the amount of detailed information whenever I encountered a new idea or new view regarding corporate governance issues. As informants provided context-specific details, I prompted them to provide further information in order to understand organizations’ situations better, the nature of the relationships and the interviewees’ roles in these matrices. The interview protocol for board members and TMT members are respectively shown in Annex 18 and Annex 19 respectively. It is worth noting that the interview questions are not to ask the informants of the separate effects on each dimension of corporate entrepreneurship to prevent confusion and tedium for respondents. Rather, the aim of the interview is to generate perspectives and explanations of the respondents of the effects of
each board governance and ownership structure factor on the risky long-term decisions in general.

The high possibility of informant bias was addressed by cross-checking between the informants. Triangulation from multiple informants can help to reduce the potential bias arising from the “informants” speculation (Miller et al., 1997, Huber and Power, 1985), and to enhance the robustness of resulting theory (Jick, 1979). I also used open-ended questions focusing on recent events to avoid recall bias and increase accuracy (Koriat et al., 2000, Huber and Power, 1985). I paid great attention to conflicts in the information provided by the informants and employed “courtroom questioning” through the use of “why” questions to limit informant speculation (Lipton, 1977). I kept encouraging the interviewees to provide the correct information by promising them that the information they provided would be treated anonymously. In addition, archival materials were also used for triangulation (Jick, 1979, Graebner and Eisenhardt, 2004) by reconciling diverse or conflicted views from the interviews.

The interviews typically lasted about 60 minutes, with the length varying from 45 minutes to about 90 minutes. I undertook all interviews, which were recorded and transcribed. Whenever clarification of any details was needed, I asked follow-up questions via email or phone.

5.6. Conclusions

Corporate governance and its effects on long-term decisions of the firms have been long studied in developed economies. However, for the economies that are in institutional transition with unstable environment and under-developed institutional infrastructure, the governance mechanism may embody complexity that is needed for deep investigation. Given that critical realism is an appropriate perspective in the situation where researchers want to explore new phenomenon, this perspective reflects the researcher’s philosophical stance. Eventually, combination of extensive and intensive design under critical realism though mixed methods of survey (archival and interviews) are employed in sequential approach to address the research questions. This chapter has provided the details of the three stages of data collection. The procedures and products arising from each step of data collection and analysis are presented in Figure 9. Phase 1 was exploratory research on 16 CEOs, which helped to develop the research model and refine the key constructs employed in the study. Phase 2 was a survey conducted based on a questionnaire. 128 CEOs were asked to fill in the standardised questionnaire through face-to-face interviews. Archival data of the firms were collected at the time of interviewing, as well as from the follow-up telephone interviews. Phase 3 was a case study conducted at six privatised firms in three group industries—capital-intensive, knowledge-intensive, labour-intensive. The case study was designed in order to provide the interpretation and explanation for the findings arising from the survey study. It is believed that this approach enables a complete picture
and comprehensive knowledge of the corporate governance and its effects on CE projects in privatised firms in a transition economy such as Vietnam.

**Figure 9:** Visual model for design procedures

<table>
<thead>
<tr>
<th>Phase</th>
<th>Procedure</th>
<th>Product</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exploratory Qualitative Data Collection and Analysis</strong></td>
<td>Individual in-depth interviews with 16 participants</td>
<td>Qualitative data</td>
</tr>
<tr>
<td><strong>Quantitative Data Collection</strong></td>
<td>Face-to-face questionnaire survey with 130 CEOs. Archival data from annual report and company archival Telephone follow-up to complete data</td>
<td>Numeric data</td>
</tr>
<tr>
<td><strong>Quantitative Data Analysis</strong></td>
<td>Data screening (115 observations) Factor analysis OLS and logistic regression STATA 11 software</td>
<td>Missing data, Descriptive statistics, Factor loadings, preliminary analysis (Normality, Outliers, homoscedasticity), regression models</td>
</tr>
<tr>
<td><strong>Connecting quantitative and qualitative phases</strong></td>
<td>Purposely selecting case firms Developing interview protocols</td>
<td>Cases (6), company reports, contacts Interview protocols</td>
</tr>
<tr>
<td><strong>QUALITATIVE Data collection</strong></td>
<td>In-depth interviews with TMT and board members of six privatised firms in three industry groups: capital, knowledge, labour-intensive</td>
<td>Transcribed data, documents, handwriting notes</td>
</tr>
<tr>
<td><strong>QUALITATIVE Data Analysis</strong></td>
<td>Thematic coding and analysis Within-case and cross-case analysis Theme development QSR NVivo 8 software</td>
<td>Case reports, Codes and themes</td>
</tr>
<tr>
<td><strong>Integration of the Quantitative and Qualitative Results</strong></td>
<td>Interpretation and explanation of the quantitative and qualitative findings</td>
<td>Analysis report, Discussion</td>
</tr>
</tbody>
</table>

*Source: Ivankova et al. (2006)*
Chapter 6: Analysis of Survey Data
6.1. Introduction

As mentioned in the literature review chapter, a vast number of studies have investigated the effects of corporate governance and ownership structure. However, most have been done in developed contexts. Whether, and to what extent, management practices from the West are applicable to East Asia and the context of transition economies is still an unexplored question. Given the context of Vietnam, an economy which is going through institutional transition, with numerous SOEs being transformed into joint-stock companies, this study will be built on several theories, including resource dependency, institutional, agency, and stewardship theories, in addition to other theoretical backgrounds, to test the application of these theories in a new environment. This chapter provides the results of the models testing and discussion, the hypotheses proposed in Chapter 4. As discussed in Chapter 5, OLS regression is employed to test the hypothesised relationships.

Section 6.2 reports the tests of the validity of the measures of the constructs employed in the study. Section 6.3 describes the sample and provides a summary of the descriptive and correlation statistics related to the variables of interest. Section 6.4 reports the results of the regression models. Section 6.5 provides a discussion of the results of the hypothesis tests and Section 6.6 presents the conclusions.

6.2. Scale Refinement and Reliability

Survey researchers typically assume that using a previously created valid and reliable scale to measure a specific concept is the best approach whenever possible (Miller and Salkind, 2002). However, it is important to consider how different populations (or groups of individuals in a population) may differ in their response to items on the same scale. It is therefore necessary to check the reliability of the measures in a new context, such as Vietnam.

I conducted an exploratory factor analysis for three item groups: CE, board monitoring and environment. Measures for innovation, venturing and strategic renewal are presented. A maximum likelihood factor analysis using oblique rotation on 11 items was conducted to yield correlations among factors. Oblique rotation was employed because this rotation method does not require the factors to be uncorrelated (Reise et al., 2000). Two items which had a factor loading of less than 0.4 were removed, including one item of innovation (“Copying other companies’ process technologies”) and one item of international venturing (“Expanding your international operations”). Then, a second maximum likelihood factor analysis was conducted on 9 items. Subscale items with oblique rotated factor loadings and reliability coefficients for each subscale are shown in Table 12.
### Table 12: Subscale Items with Oblique Rotated Factor Loadings and Reliability Coefficients for Each Subscale of CE Measures

<table>
<thead>
<tr>
<th>Number</th>
<th>Items</th>
<th>Factor loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Factor 1: Innovation</strong></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>You spent heavily (well above your industry average) on research and</td>
<td>0.64</td>
</tr>
<tr>
<td></td>
<td>development (R&amp;D)</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>You introduced a large number of new products to the market</td>
<td>0.71</td>
</tr>
<tr>
<td>3</td>
<td>You pioneered the development of breakthrough innovations in your industry</td>
<td>1.01</td>
</tr>
<tr>
<td></td>
<td>Cronbach’s alpha =</td>
<td>0.847</td>
</tr>
<tr>
<td></td>
<td><strong>Factor 2: Venturing</strong></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>You diversified into new industries in Vietnam</td>
<td>0.74</td>
</tr>
<tr>
<td>2</td>
<td>You established or invested in several new ventures</td>
<td>0.77</td>
</tr>
<tr>
<td>3</td>
<td>You focused on improving the performance of the current business, rather than entering new industries</td>
<td>−0.77</td>
</tr>
<tr>
<td></td>
<td>Cronbach’s alpha =</td>
<td>0.659</td>
</tr>
<tr>
<td></td>
<td><strong>Factor 3: Strategic renewal</strong></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>You changed its competitive approach (strategy) for each business units</td>
<td>0.67</td>
</tr>
<tr>
<td>2</td>
<td>You initiated several programs to improve the productivity of business units</td>
<td>0.78</td>
</tr>
<tr>
<td>3</td>
<td>You reorganised operations to ensure increased coordination and communication among business units</td>
<td>0.70</td>
</tr>
<tr>
<td></td>
<td>Cronbach’s alpha =</td>
<td>0.769</td>
</tr>
</tbody>
</table>

Cronbach alpha $\alpha < 0.6$ indicates unsatisfactory internal consistency reliability (see Malhotra and Birks (2007, p. 358)), and $\alpha > 0.7$ indicates satisfactory internal consistency reliability (Nunnally and Bernstein, 1991). The alpha value for the innovation dimension = 0.847, and for strategic renewal = 0.769, and is thus satisfactory. The alpha value for venturing dimension is 0.659, a level considered acceptable. As such, for CE, there would be three three-item factors.

Similarly, I conducted exploratory factor analysis using oblique rotation on the item set of environmental factors, which includes 9 items. This analysis yields three factors with an eigenvalue higher than 1.0, which together account for 41.47 per cent of the variance in response. All factor loadings exceed 0.4. Three a priori scales form three factors: dynamism, heterogeneity and hostility. Table 13 includes the alpha reliabilities of these three factors. Although Cronbach’s alpha of hostility is 0.516, an unsatisfactory reliability according to Malhotra and Birks (2007, p. 358), it exceeds the value of 0.50 as the minimum acceptable according to Nunnally and Bernstein (1978).
Chapter 6: Analysis of Survey Data

Table 13: Subscale Items with Oblique Rotated Factor Loadings and Reliability Coefficients for Each Subscale of Environment Measures

<table>
<thead>
<tr>
<th>Number</th>
<th>Items</th>
<th>Factor loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Factor 1: Environmental dynamism</strong></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>The rate of product/service obsolescence in your industry is high</td>
<td>0.59</td>
</tr>
<tr>
<td>2</td>
<td>In your industry, methods of production/providing service change often</td>
<td>0.69</td>
</tr>
<tr>
<td>3</td>
<td>Your firm needs to change its marketing practices frequently</td>
<td>0.63</td>
</tr>
<tr>
<td></td>
<td>Cronbach’s alpha =</td>
<td>0.669</td>
</tr>
<tr>
<td></td>
<td><strong>Factor 2: Environmental heterogeneity</strong></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>You are a diversified firm</td>
<td>0.49</td>
</tr>
<tr>
<td>2</td>
<td>There are great differences among the products/services you offer with regard to customers’ buying habits</td>
<td>0.63</td>
</tr>
<tr>
<td>3</td>
<td>Market dynamism varies a great deal from one line of your business to the other</td>
<td>0.64</td>
</tr>
<tr>
<td></td>
<td>Cronbach’s alpha =</td>
<td>0.601</td>
</tr>
<tr>
<td></td>
<td><strong>Factor 3: Environmental hostility</strong></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Your business environment causes a great deal of threat to the survival of your company</td>
<td>0.69</td>
</tr>
<tr>
<td>2</td>
<td>The actions of your key competitors are unpredictable</td>
<td>0.69</td>
</tr>
<tr>
<td>3</td>
<td>The interference of central government causes major problems in your industry</td>
<td>0.43</td>
</tr>
<tr>
<td></td>
<td>Cronbach’s alpha =</td>
<td>0.516</td>
</tr>
</tbody>
</table>

To obtain factors measuring the advice and counsel interaction and board monitoring, I followed procedures employed by Westphal (1999) to assess the soundness of the scale. Factor analysis using the iterated principal axis factors method with promax rotation was conducted. Both eigenvalue and scree test results suggest two factors to be extracted. However, under “Board monitoring”, the item “To what extent does your board defer to your judgement on final strategic decisions” was removed, due to low factor loading. For the factor “Advice and counsel interactions”, the item “To what extent do you solicit board assistance in the formulation of corporate strategy?” has been loaded on “Board monitoring” instead of on “Advice and counsel interactions”. As such, this item is also removed, leaving two items for each factor. Finally, four items are factor-analysed for another round, yielding two two-item factors. However, Cronbach’ alpha for the advice and counsel interactions scale is only 0.291, suggesting unacceptable inter-item reliability (Nunnally and Bernstein, 1978). Consequently, the advice and counsel interactions scale is dropped from the study and the scale used to measure board independence from the CEO, including two items with a satisfactory level of Cronbach’s alpha (0.724), is used for analysis. Unlike previous factor analyses, which employed regression for estimation, in this analysis I used the Bartlett method because this procedure produces unbiased estimates and factors scores are univocal (not correlated with other factors) (DiStefano et al., 2009).
### Table 14: Subscale Items with Oblique Rotated Factor Loadings and Reliability Coefficients for each Subscale of Board Monitoring

<table>
<thead>
<tr>
<th>Number</th>
<th>Items</th>
<th>Factor loadings</th>
<th>Cronbach's alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>To what extent does the board monitor top management’s strategic decision-making?</td>
<td>0.62</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>To what extent does the board formally evaluate your performance?</td>
<td>0.74</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cronbach’s alpha =</td>
<td>0.568</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>To what extent do you use outside directors as a “sounding board” on strategic issues?</td>
<td>0.91</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>How often over the last twelve months have you sought the advice and counsel of outside directors in discussions outside of board/committee meetings (by telephone or in person)?</td>
<td>0.66</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cronbach’s alpha =</td>
<td>0.291</td>
<td></td>
</tr>
</tbody>
</table>

### 6.3. Descriptive Statistics and Correlations

#### 6.3.1. Description of Sample

As described in Chapter 5, the complete sample of this survey study consists of 114 privatised firms in which CEOs answered every question in the questionnaire and provided full company data. However, as one outlier was dropped from the sample, the total observations fall to 113. Table 15 provides the frequency and percentage of some basic variables for the firms included in the sample.

In regard to listing on the stock exchange, about 31 per cent of the firms in the survey are listed; the rest are non-listed. As Chapter 5 states, the cities are grouped into four types: central cities (Hanoi and Ho Chi Minh), type-I cities (Hai Phong, Danang and CanTho), type-II (newly developed cities), and type-III (cities with low developing indicators and an underdeveloped infrastructure). The allocation of the sample among these four types of cities is as follows: central cities (23 percent), type-I cities (41 percent), type-II (15 percent) and type-III cities (21 percent). With respect to industry distribution, the privatised companies in the sample fell into six primary industry groups: manufacturing and mineral (20.1 percent), service (23.9 percent), wholesale and retail (15.9 percent), finance and real estate (8.8 percent), utility service and construction (13.3 percent) and conglomerates (8.0 percent).
### Table 15: Characteristics of Sampled Firms and Demographics of Respondents

<table>
<thead>
<tr>
<th>Variables</th>
<th>Items</th>
<th>Number of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>105</td>
<td>92.9</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>8</td>
<td>7.1</td>
</tr>
<tr>
<td>Listed</td>
<td>Traded on stock exchange</td>
<td>35</td>
<td>31.0</td>
</tr>
<tr>
<td></td>
<td>Not traded on stock exchange</td>
<td>78</td>
<td>69.0</td>
</tr>
<tr>
<td>Type of location</td>
<td>Hanoi and Ho Chi Minh</td>
<td>26</td>
<td>23.0</td>
</tr>
<tr>
<td></td>
<td>Central–belonging cities</td>
<td>46</td>
<td>40.7</td>
</tr>
<tr>
<td></td>
<td>Type-II cities</td>
<td>17</td>
<td>15.0</td>
</tr>
<tr>
<td></td>
<td>Type-II cities</td>
<td>24</td>
<td>21.0</td>
</tr>
<tr>
<td>Industry</td>
<td>Manufacturing and mineral</td>
<td>34</td>
<td>20.1</td>
</tr>
<tr>
<td></td>
<td>Service</td>
<td>27</td>
<td>23.9</td>
</tr>
<tr>
<td></td>
<td>Wholesale and retail</td>
<td>18</td>
<td>15.9</td>
</tr>
<tr>
<td></td>
<td>Finance and real estate</td>
<td>10</td>
<td>8.9</td>
</tr>
<tr>
<td></td>
<td>Utility service and construction</td>
<td>15</td>
<td>13.3</td>
</tr>
<tr>
<td></td>
<td>Conglomerate</td>
<td>9</td>
<td>8.0</td>
</tr>
<tr>
<td>CEO duality</td>
<td>Firms without CEO non-duality</td>
<td>49</td>
<td>43.4</td>
</tr>
<tr>
<td></td>
<td>Firms without CEO duality</td>
<td>64</td>
<td>56.6</td>
</tr>
<tr>
<td>Institutional ownership</td>
<td>Having less than 10% of shareholding</td>
<td>72</td>
<td>63.7</td>
</tr>
<tr>
<td></td>
<td>Having more than 10% of shareholding</td>
<td>41</td>
<td>36.3</td>
</tr>
</tbody>
</table>

### 6.3.2. Descriptive Statistics and Correlations

Descriptive statistics of the firms included in the study are presented in Table 16. The first column shows the mean values for the sample of 114 firms, while the next column shows the standard deviation. The minimum and maximum values for firms in this sample are presented in the last two columns. Overall, the ratings of the three CE measures are relatively low, 2.4; 1.6, and 3.5 on 1-5 scale for innovation, business venturing and strategic renewal, respectively. The average representation of TMT members on the board is 47 percent, whereas the average of outside independent directors is 15 percent, reflecting the small representation of outsiders on the boards of directors of privatised firms. The average number of board members is 5.0, with the smallest board having three members and the largest board 11. The average of managerial ownership is 11.9 percent. The average ownership of the 5 largest shareholders is 61.5 per cent. This percentage is high, and reflects the typical characteristic of ownership structure of privatised firms, as discussed in Chapter 2. The average rating for board monitoring is relatively high, at 4.2, on a 1 to 6 scale.

Correlations among all study variables are presented in Table 17. Examination of the table indicates that some correlations are statistically significant, and some variables have moderately
high correlations (i.e. correlations between firm assets and business venturing or TMT board membership are both 0.5). The correlations among the independent variables are relatively low with a maximum of 0.4, suggesting that multi-linearity is not a major issue. In addition, the further test for multi-collinearity also indicates that this criterion is not a concern: the high VIF indicator is 4.12, much lower the ‘rule of thumb’ of 10. The data set was also screened to ensure that assumptions of normality were not violated.

**Table 16:** Descriptive Statistics

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>s.d.</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Innovation</td>
<td>2.4</td>
<td>1.3</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>2. Venturing</td>
<td>1.6</td>
<td>0.9</td>
<td>1</td>
<td>5.3</td>
</tr>
<tr>
<td>3. Strategic Renewal</td>
<td>3.5</td>
<td>1.1</td>
<td>1</td>
<td>5.3</td>
</tr>
<tr>
<td>4. CEO duality</td>
<td>0.6</td>
<td>0.5</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>5. TMT board membership</td>
<td>0.5</td>
<td>0.2</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>6. Outside ratio</td>
<td>0.2</td>
<td>0.2</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>7. Board size</td>
<td>5.0</td>
<td>1.4</td>
<td>3</td>
<td>11</td>
</tr>
<tr>
<td>8. Managerial ownership</td>
<td>11.9</td>
<td>17.3</td>
<td>0</td>
<td>95</td>
</tr>
<tr>
<td>9. Institutional ownership</td>
<td>0.4</td>
<td>0.5</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>10. Ownership concentration</td>
<td>61.5</td>
<td>19.8</td>
<td>13</td>
<td>100</td>
</tr>
<tr>
<td>11. Board monitoring</td>
<td>4.2</td>
<td>1.1</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>12. Environmental dynamism</td>
<td>2.8</td>
<td>0.9</td>
<td>1</td>
<td>5.3</td>
</tr>
<tr>
<td>13. Environmental heterogeneity</td>
<td>3.1</td>
<td>1.1</td>
<td>1</td>
<td>5.3</td>
</tr>
<tr>
<td>14. Environmental hostility</td>
<td>3.5</td>
<td>1.0</td>
<td>1.3</td>
<td>5.7</td>
</tr>
<tr>
<td>15. Listed firm</td>
<td>0.3</td>
<td>0.5</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>16. Firm size (log)</td>
<td>2.3</td>
<td>0.6</td>
<td>1.2</td>
<td>3.8</td>
</tr>
<tr>
<td>17. Firm assets (log)</td>
<td>11.1</td>
<td>0.8</td>
<td>9.3</td>
<td>12.8</td>
</tr>
<tr>
<td>18. Leverage</td>
<td>2.6</td>
<td>3.3</td>
<td>0.0</td>
<td>21.1</td>
</tr>
<tr>
<td>19. Sale growth</td>
<td>0.6</td>
<td>5.3</td>
<td>-0.8</td>
<td>2.2</td>
</tr>
<tr>
<td>20. State ownership</td>
<td>29.6</td>
<td>25.9</td>
<td>0</td>
<td>94</td>
</tr>
<tr>
<td>21. CEO age</td>
<td>51.6</td>
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### Chapter 6: Analysis of Survey Data

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*Firm size was logged. Ownership is expressed as a percentage.

** p ≤ .10  *** p ≤ .05  **** p ≤ .01
6.4. Results

As described in Chapter 4, this study tests a) eight main effects of board governance, ownership structure and board monitoring on three measures of CE (innovation, business venturing and strategic renewal), and b) the moderating effects of three environmental measures on proposed relationships. Separate analyses are conducted for models relating each dependent variable. Table 18, Table 19 and Table 20 describe the results involving the regression of antecedents on innovation, business venturing and strategic renewal respectively. Given the small sample in this survey study, there are only few degrees of freedom. In order to reduce the noise per degree of freedom, control variables and independent variables, respectively, are iteratively tested and parsed. Variables are removed at each stage based on statistical ground. Model a includes all control variables and full set of independent variables while model b eliminates highly insignificant control variables. If model b still remains highly insignificant control variables, the next model continues to eliminate those insignificant variables. In the last model, highly insignificant independent variables are eliminated. The tables do not report the additional models that re-examine the influence of control variables when insignificant independent variables are eliminated. No control variable removed in model b showed significance when they are re-tested in the subsequent models. In general, the parameters are relatively consistent across alternative specifications. Table 21, Table 22 and Table 23 present the regression of final models with the hypothesised interactions for dynamism, heterogeneity and hostility respectively.

6.4.1. The Effects of Board Governance on Corporate Entrepreneurship

6.4.1.1. CEO Duality

Drawing on a multi-theoretical perspective, Hypothesis 1a argues that CEO duality is negatively related to CE, using Agency Theory as reference. The hypothesis 1b posits that CEO duality has no association with CE. The results show that no significant relationships were found between CEO duality and all three dimensions of CE. The Hypothesis 1b is thus supported.

6.4.1.2. Representation of TMT Members

Using Agency Theory, Hypothesis 2a posits that TMT member presence is negatively related to the entrepreneurial activities of privatised firms. In contrast, using Stewardship Theory in addition to Agency Theory, Hypothesis 2b suggests that TMT board membership is not related to CE. Model 2d (Table 19) indicates that TMT board membership is negatively related to business venturing ($\beta = -0.73, t = -1.86$). The results show that TMT director presence diminished the likelihood of a privatised firm engaging in new venture creation. The scale of venturing decreased to about 0.0073 when the TMT-to-board ratio increased by 1 per cent. On the other hand, the results in Table 18 and Table 20 show that the relationships between the percentage of TMT
member – board members and innovation and strategic renewal were insignificant. This gives partial support to both Hypothesis 2a and 2b.

### 6.4.1.3. Representation of Independent Outside Directors

Alternatively, Hypothesis 3a refers to Agency Theory and Resource Dependence Theory to predict that the greater the number of independent directors sitting on the board the more entrepreneurial the firm. Drawing on Institutional Theory, it is posited in Hypothesis 3b that the representation of outside directors on the board is not associated with CE. Model 2d (Table 19) shows that business venturing decreases with the increase in ratio of independent non-executive directors on the board, and this finding is significant at p < 0.05 (β = –0.70, t =–2.57). The scale of business venturing went down by 0.0070 when the ratio of outside directors increased by one per cent. The results show that outside ratio had a negative impact on business venturing, indicating that a board with more outside independent members is less likely to induce a firm’s venturing activities. However, the coefficient estimations of effect of the outside ratio on innovation and strategic renewal are not significant, meaning that there is no association between outside ratio and innovation and strategic renewal. Hypothesis 2b thus received partial support. The results provided no support for Agency and Resource Dependence Theory but partial support for Institutional Theory and efficiency abatement perspective in this specific context. The results indicate that outside independent directors did not play any expected role in the context of a privatised firm; rather, they partially confirm Institutional Theory which argues that an increase of a firm’s number of outside directors enhances its legitimacy despite no positive impact being generated.

### 6.4.1.4. Board Size

Based on Agency Theory, the Hypothesis 4a argues that a large board leads to increased communication costs and thus negatively affects entrepreneurial activities. Referring to Resource Dependence Theory, alternative Hypothesis 4b suggests that board size has a positive association with CE. Firms with large boards were expected to have more resources introduced by more board members, increasing their capability to pursue entrepreneurial opportunities.

Consistent with the prediction of Hypothesis 4b, the results from Model 1c (Table 18) and Model 3c (Table 20) show that the size of the board of directors is positively related to innovation and strategic renewal, supporting Resource Dependence Theory (β = 0.16, t = 1.85 and β = 0.23, t = 3.53). Although the relationship between board size and innovation is marginal at the significance of p < 0.10, the relationship between board size and strategic renewal is strong at the significance of p < 0.01. The results indicate that firms with large boards tended to be more likely to engage in innovation and renewal activities. However, no significant relationship was found in the regression of business venturing.
6.4.2. The Effects of Ownership Structure on Corporate Entrepreneurship

6.4.2.1. Managerial Ownership

Hypothesis 5a posits that managerial ownership is positively associated with CE, using only the traditional agency perspective. Employing a multi-theoretical perspective (by referring to Agency and Stewardship theories), Hypothesis 5b argues that managerial ownership has no association with CE in this study. The results from the three tables (Table 18, Table 19 and Table 20) show that Hypothesis 5b was supported when the dependent variables were business venturing and strategic renewal. Managerial ownership on the other hand was negatively associated with innovation. Yet the coefficient of this relationship (Model 1c, Table 18) is very small and only attains conventional significance level at $p < 0.10$ level ($\beta = -0.01$, $t = -1.67$). In fact, the impact is negligible. As such, it can be concluded that managerial ownership has no impact on CE. Hypothesis 5b, therefore, is fully supported.

6.4.2.2. Institutional Ownership

Hypothesis 6a posits that institutional ownership has a positive association with CE. Drawing on efficiency abatement perspective, hypothesis 6b argues that institutional ownership has negative association with CE. Surprisingly, no significant associations were found in the relationships between institutional ownership and the three measures of CE. Neither Hypothesis 6a nor Hypothesis 6b is supported. The result reflects the fact that institutional investors have no contribution to the risky long-term investments of privatised firms.

6.4.2.3. Ownership Concentration

Hypothesis 7a (based upon Principal—Agency (PA) Agency Theory) suggests that ownership concentration has a positively association with CE. In hypothesis 7b, I refer to PP Agency Theory and propose the possibility of negative relationships existing between concentrated ownership and CE. However, no significant results were found for these relationships, indicating neither Hypothesis 7a nor 7b is supported.

6.4.3. The Effects of Board Monitoring on Corporate Entrepreneurship

Hypothesis 8a predicts that the monitoring of the CEO by the board is positively associated with CE while alternative hypothesis 8b posits that board monitoring has no association with CE. The results indicate that no relationships were found between board monitoring and innovation and strategic renewal. However, board monitoring was positively related to strategic renewal ($\beta = 0.18$, $t = 2.11$). Both hypothesis 8a and hypothesis 8b are partially supported. The result implies that the monitoring by boards of CEOs can promote renewal activities in privatised firms.
### Table 18: Results of Regressions for Innovation

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<td>Coef</td>
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<td>P–Value</td>
<td>Coef</td>
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<td>Coef</td>
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### Table 19: Results of Regressions for Business Venturing

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### Table 20: Results of Regression Analysis for Strategic Renewal

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6.4.4. **Moderating Effects of Environmental Factors**

In the previous section, I reported the results of the effects of board governance, ownership structure and board monitoring relationships on three dimensions of CE (innovation, business venturing and strategic renewal). This section reports the moderating effects of three dimensions of the perceived environment (dynamism, heterogeneity and hostility) on the relationships which are statistically significant.

### 6.4.4.1. Moderating Effects of Dynamism

Hypothesis 8 argues that the relationship between governance, ownership, board monitoring and CE are negatively influenced by an interaction with dynamism. For innovation, the relationships with TMT board membership, board size, managerial ownership and ownership concentration are tested with the moderating effect of dynamism (Table 21). However, no effect was found on the relationships between these variables and innovation. Subsequently, the moderating effects of dynamism on the relationship between four antecedents (including CEO duality, board size, managerial ownership and ownership concentration) and business venturing were tested in Model 2e (Table 22). As shown in the model, only the parameter of TMT board membership is significant, although it is only marginally (p<0.10) and negatively consistent with the prediction. This finding suggests that for firms confronting high levels of dynamism, the board with a higher ratio of TMT members makes the company less likely to engage in venturing activities (Figure 10). Finally, dynamism had no moderating effect on the relationships between antecedents and innovation and strategic renewal (Table 21 and Table 23).

![Predictive Margins](image)

*Figure 10: Business venturing as a function of the interaction of dynamism and TMT board membership*
6.4.4.2. Moderating Effects of Heterogeneity

Hypothesis 12 states that heterogeneity positively moderates the relationship between governance, ownership, board monitoring relationships and CE. These moderating effects were tested for all significant relationships between governance, ownership, board monitoring relationships and the three dimensions of CE. Significant effects are found for relationships with innovation and strategic renewal. No significant influence was found for the relationships between antecedents and business venturing.

Model 1e (Table 21) shows that interaction between board size and heterogeneity is significant and negative ($\beta = -0.12$, $z = -2.20$), which is inconsistent with Hypothesis 10. The values of one standard deviation below and above the mean were taken in order to plot the relationships (see Figure 11). Inconsistent with Hypothesis 10, Figure 11 shows that at a low level of heterogeneity, an increased level of board size has a significantly positive effect on innovation. In contrast, at high levels of heterogeneity the effect of increased levels of board size is attenuated.

\[ \text{Figure 11: Plots of innovation as a function of the interaction of heterogeneity and board size} \]

In addition, a significant relationship is found in the interaction between board size ($\beta = -0.07$, $t = -2.05$) and heterogeneity, and strategic renewal. As indicated in Model 3e (Table 23), interaction of board size $\times$ heterogeneity is significant at $p < 0.05$ level. Figure 12 shows the effects of board size on strategic renewal. When the environment is characterised by low heterogeneity, increasing the size of the board has a positive effect on the implementation of strategic renewal. Conversely, when the environment is highly heterogeneous, increasing board size has very little impact on the implementation of strategic renewal. Again, the result is inconsistent with Hypothesis 10.
Figure 12: Plots of strategic renewal as a function of the interaction of heterogeneity and board size

6.4.4.3. Moderating Effects of Hostility

Hypothesis 11 posits that the relationship between governance, ownership, CEO—board and CE is negatively influenced by an interaction with hostility. Not as expected, it is found that environmental hostility positively moderates the relationship between institutional ownership and domestic venturing ($\beta = 0.40, t = 2.75$). Figure 13 illustrates the changes in the impact of institutional ownership on business venturing at two extreme points on the institutional ownership continuum. For privatised firms experiencing unstable environments (high hostility), institutional ownership is positively associated with business venturing, and for firms experiencing very stable to relatively hostile environments (low to medium hostility), institutional ownership is negatively related to domestic venturing.

Figure 13: Plots of business venturing as a function of the interaction of hostility and institutional ownership
## Table 21: Results of Moderated Regression Analysis for Innovation

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<th>Model 1e – Heterogeneity</th>
<th>Model 1f – Hostility</th>
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Table 22: Results of Moderated Regression Analysis for Business Venturing

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</tr>
<tr>
<td>Adjusted R²</td>
<td>0.45</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wald chi²</td>
<td>4.33***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>113</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

Note: All values are coefficients, standard errors, and p-values. Significance levels are indicated by *** for p < 0.001, ** for p < 0.01, * for p < 0.05, and . for p > 0.1.
Table 23: Results of Moderated Regression Analysis for Strategic Renewal

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 3e – Dynamism</th>
<th>Model 3f – Heterogeneity</th>
<th>Model 3g – Hostility</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coef</td>
<td>s.e.</td>
<td>P–Value</td>
</tr>
<tr>
<td>Intercept</td>
<td>1.84</td>
<td>1.47</td>
<td>0.213</td>
</tr>
<tr>
<td>Traded on stock exchange</td>
<td>0.32</td>
<td>0.21</td>
<td>0.127</td>
</tr>
<tr>
<td>Leverage</td>
<td>−0.02</td>
<td>0.02</td>
<td>0.327</td>
</tr>
<tr>
<td>CEO age</td>
<td>−0.04</td>
<td>0.01</td>
<td>0.001</td>
</tr>
<tr>
<td>Service</td>
<td>−0.40</td>
<td>0.22</td>
<td>0.070</td>
</tr>
<tr>
<td>Board size</td>
<td>0.33</td>
<td>0.17</td>
<td>0.058</td>
</tr>
<tr>
<td>Board monitoring</td>
<td>0.33</td>
<td>0.29</td>
<td>0.265</td>
</tr>
<tr>
<td>Dynamism</td>
<td>0.85</td>
<td>0.47</td>
<td>0.071</td>
</tr>
<tr>
<td>Heterogeneity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board size × dynamism</td>
<td>−0.05</td>
<td>0.05</td>
<td>0.369</td>
</tr>
<tr>
<td>Board monitoring × dynamism</td>
<td>−0.08</td>
<td>0.11</td>
<td>0.464</td>
</tr>
<tr>
<td><strong>Board size × heterogeneity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board monitoring × heterogeneity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board size × hostility</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board monitoring × hostility</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td>0.40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$F$</td>
<td>13.37***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$N$</td>
<td>113</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
6.5. Discussion

The previous section provides the results of hypothesised relationships. The results vary among the three dependent variables. It appears that corporate governance and ownership structure play little role in enhancing CE in the Vietnamese privatised firms studied. This section discusses the findings. Table 24 summarises the findings.

Table 24: A Summary of Empirical Findings for Alternative Hypotheses

<table>
<thead>
<tr>
<th>H</th>
<th>Dependent variable</th>
<th>Independent variable</th>
<th>Expected (Alternative hypothesis)</th>
<th>Observed for I</th>
<th>Observed For BV</th>
<th>Observed for SR</th>
<th>Overall results</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1b</td>
<td>CE</td>
<td>CEO duality</td>
<td>Not related</td>
<td>Insignificant</td>
<td>Insignificant</td>
<td>Insignificant</td>
<td>H1b is supported.</td>
</tr>
<tr>
<td>H2b</td>
<td>CE</td>
<td>TMT board membership</td>
<td>Positive</td>
<td>Insignificant</td>
<td>Negative</td>
<td>Insignificant</td>
<td>H2b not supported</td>
</tr>
<tr>
<td>H3b</td>
<td>CE</td>
<td>Outside ratio</td>
<td>Not related</td>
<td>Insignificant</td>
<td>Negative</td>
<td>Insignificant</td>
<td>H3b is supported for I and SR</td>
</tr>
<tr>
<td>H4b</td>
<td>CE</td>
<td>Board size</td>
<td>Positive</td>
<td>Positive</td>
<td>Insignificant</td>
<td>Positive</td>
<td>H4b is supported for I and SR</td>
</tr>
<tr>
<td>H5b</td>
<td>CE</td>
<td>Managerial ownership</td>
<td>Not related</td>
<td>Negative</td>
<td>Insignificant</td>
<td>Insignificant</td>
<td>H5b is supported for BV and SR</td>
</tr>
<tr>
<td>H6b</td>
<td>CE</td>
<td>Institutional ownership</td>
<td>Negative</td>
<td>Insignificant</td>
<td>Insignificant</td>
<td>Insignificant</td>
<td>H6b is not supported</td>
</tr>
<tr>
<td>H7b</td>
<td>CE</td>
<td>Ownership concentration</td>
<td>Negative</td>
<td>Insignificant</td>
<td>Insignificant</td>
<td>Insignificant</td>
<td>H7b are not supported</td>
</tr>
<tr>
<td>H8b</td>
<td>CE</td>
<td>Board monitoring</td>
<td>Negative</td>
<td>Insignificant</td>
<td>Insignificant</td>
<td>Positive</td>
<td>H8b is not supported</td>
</tr>
</tbody>
</table>

Innovation — I; Business Venturing — BV; Strategic Renewal—SR

6.5.1. Board Governance and Corporate Entrepreneurship

6.5.1.1. CEO Duality

The result indicates that CEO duality has no impact on all three measures of CE, lending support to the notion that "organisational changes occur as the result of processes that make organisations more similar without necessarily making them more efficient" (DiMaggio and Powell, 1983, p. 147). The findings of this research is inconsistent with studies of developed economies by Zahra et al. (2000b), which found that CEO—board chair separation in medium-sized firms promoted entrepreneurial activities. The reason could be related to Institutional Theory, as acknowledged above, which suggests the need for legitimacy, where privatised firms maintain a separate leadership structure in order to respond to institutional demands (Meyer and Rowan, 1977). Further, there might be a possibility that the arguments of Agency and Stewardship Theory complement each other, resulting in no significant associations between CEO duality and CE. It may be that any disadvantages of CEO duality as defined by Agency Theory are traded-off by its
advantages as defined by Stewardship Theory. Consequently, CEO duality makes no impact on CE. Alternatively, extensive research has argued that CEO duality varies with industry type (Boyd, 1995) and firm performance (Brickley et al., 1997, Ramdani and Witteloostuijn, 2010). According to these studies, CEO duality may leverage the performance of some firms while it might mitigate against growth in others, and the effects “could be positive, negative, or null, depending on market conditions” (Boyd, 1995). In fact, Peng et al. (2007) suggested that this relationship is contingent on the environmental conditions faced by each individual firm. This may be the reason explaining the results of abovementioned relationships.

6.5.1.2. Representation of TMT Members

The findings indicate that having TMT members on a company’s board provided no advantage for innovation and strategic renewal, and can even have a negative impact on business venturing. As with CEO duality, although these results partially support Agency Theory, it may be necessary to borrow from Stewardship Theory to explain these findings.

Firstly, we investigate why there are no significant findings in relation to the relationships between TMT board membership and the two measures of innovation and strategic renewal. Indeed, it may be that the Agency Theory and Stewardship Theory arguments complement each other in this case. On the one hand, as argued in Hypothesis 2a (which borrows on Agency Theory, widely employed in developed economies), greater numbers of TMT members on the board tend to reduce board independence, therefore leading to managerial entrenchment. On the other hand, as discussed in Hypothesis 2b, as executives in privatised firms in Vietnam tend to behave as stewards they are less likely to act against the interest of shareholders. In addition, according to Stewardship Theory, managers in Vietnam tend to strive to gain achievements for the organisation rather than being motivated by self-serving objectives. Furthermore, as explained by Walters et al. (2010), TMT members usually have a shared vision and a sense of greater cohesion with other board members, making it more likely that the firm’s strategy will be put into operation. In the same vein, Kroll et al. (2007) argue that top management are also more likely to provide oversight and to carry forward the firm’s strategy. In particular, Baysinger et al. (1991, p. 211) also contend that their presence on the board makes top executives more willing to take risks in R&D projects, due to experiencing less pressure from the judgement and evaluation of outside directors. Having a greater number of TMT members on the board may be thus more conducive to reasonable risk-taking and consequent investment in the interest of shareholders (Walters et al., 2010).

Taken together, the presence of TMT members on the board, specifically in the context of Vietnamese privatised firm, needs the applicability of both theories—agency and stewardship theories. Taking both these and other arguments together, the presence of TMT members on the
board of privatised firms may lead to no significant influence on long-term investments. This includes those made in the areas of innovation and strategic renewal.

However, TMT board membership has a negative impact on business venturing, indicating perhaps that when the dependent variable is business venturing, the arguments of Agency Theory may surpass those of Stewardship Theory. It would be helpful at this juncture to return to Chapter 3 to re-examine the definition of business venturing. In fact, business venturing or organisational creation is an activity involving strategic and structural decisions (Cooper, 1979). According to Zahra (1996a, p. 227), venturing means that the firm obtains new business through the expansion of its operations in both existing and new markets. As venturing decisions embody a higher degree of risk compared with other entrepreneurial decisions, TMT members may hesitate to support such activities. Notably, as the majority of TMT members in privatised firms in Vietnam used to work for several years in the hierarchical system of former state-owned enterprises, they may be more unwilling to be exposed to risky decisions. Therefore, despite the steward culture which appears to be implanted in Vietnam’s executives, their presence on the board may militate against the likelihood of taking venturing projects forward.

6.5.1.3. Representation of Independent Outside Directors

Drawing on Institutional Theory, I advanced a hypothesis about the relationships between the presence of independent outside directors on board of directors and the three dimensions of CE in Vietnamese privatised companies (Hypothesis 3b). Interestingly, the pattern of relationship between this type of governance and CE is similar to that between TMT board membership and CE. Whereas outside directors appear to have no impact on innovation and strategic renewal activities, their representation on the company board seems to have a significant and negative effects on business venturing.

Firstly, with respect to innovation and strategic renewal, it is clear that the results support Institutional Theory. As mentioned earlier, this theory argues that firms may try to conform to social norms by increasing the number of independent directors on the board, although such conformity does not necessarily enhance board effectiveness. The results indicate that outside independent directors do not contribute to a firm’s innovation and strategic renewal. We can recall here that innovation involves new combinations which help to change the basis of competition in an industry (Schumpeter, 1934), and can lead to strategic renewal entailing the “transformation of organisations through renewal of the key ideas on which they are built on” (Guth and Ginsberg, 1990, p. 5). Meanwhile, the implementation of these activities requires a thorough understanding of the current business and industry, of which the outside directors often lack knowledge and information. This may be a reason why an outside presence is not associated with innovation and strategic renewal.
Secondly, the results indicate that the addition of outside non-executive directors appears to be associated with a lower degree of venture creation. Probably, as explained earlier, because business venturing involves the birth of new business (Schendel, 1990) which embeds a high degree of risk, outside directors may be less likely to favour these types of investments. In fact, the result is consistent with some findings found in earlier investigations in the context of developed economies (e.g., Baysinger and Hoskisson, 1990, Zahra, 1996a, Zahra et al., 2000b) which argued that outside directors often lack the time or ability to understand a firm’s internal activities and have little incentive to promote entrepreneurial activities. There is a possibility that this situation is also relevant in the context of privatised firms in Vietnam. However, an exact answer is difficult to provide without further qualitative study. A case study, therefore, will answer why outside directors of privatised firms in Vietnam do not play the role which might be expected—and which is essential—in contributing scarce and valuable resources to the company’s innovative and renewal activities, and why they instead diminish the venturing activities of privatised firms.

6.5.1.4. Board Size

Interestingly, although Resource Dependence Theory is not supported by the presence of outside directors, it is supported by the significant and positive association between board size and innovation and strategic renewal. While a majority of prior studies found a negative association between board size and long-term and risky decisions (e.g., Yermack, 1996, Judge Jr and Zeithaml, 1992, Lipton and Lorsch, 1992), this study suggests that larger boards tend to encourage innovative and renewal activities. These findings are consistent with Zahra et al.’s (2000b) who found that when the size of the board increased by up to 11 members, the relationship between board size and CE was positive. Because the maximum board size in this sample is 11, it is relevant to conclude that this study is consistent with Zahra et al.’s (2000b) finding. Again, this result supports the resource dependence view, which posits that large boards gain more advantage from collective experiences and diverse skills, therefore leading to their greater engagement in innovative activities.

However, the current evidence does not support the argument that firms with more board members are more likely to search for and acquire new business. Again, probably, because new business creation includes risky investment, it might require higher commitment and cohesion among board members. As argued in Hypothesis 4a, having too many members may prevent the board from reaching a consensus. Furthermore, because venturing decisions require a rapid reaction from the board to new opportunities, having more board members may lead to delayed decision-making. Consequently, although a larger board is beneficial for innovation and strategy through increased aggregated competences, skills and resources, it is disadvantageous for highly risky investments.
6.5.2. **Ownership Structure and Corporate Entrepreneurship**

Surprisingly, ownership structure also has very little association with the three examined dimensions of CE. This section discusses the findings related to ownership structure.

6.5.2.1. **Managerial Ownership**

With respect to managerial ownership, it may be concluded that the results here support Stewardship Theory, where equity ownership does not contribute to a higher degree of CE. There are some possible explanations for the failure to find positive effects of executive ownership. Firstly, as discussed in Chapter 2, because a majority of managers in privatised companies held a similar position when the firm was a state-owned enterprise, they tend to assume a stewardship role. Their stockholdings in the firm are not an appropriate incentive to taking more risks. Other than that, for these managers, building and maintaining political interests could be more important than any return they may obtain from owning equity in the firms. Put simply, no matter how many shares they own, they still are driven to invest (in a non-monetary sense) in the firm’s future performance. Secondly, the negligible relationship may be due to a lack of control of the means by which managers buy their shares (Sundaramurthy et al., 2005). Some get discounts via government policy provided for state-owned enterprise employees during privatisation; others buy back shares from employees; some obtain them through official auction. These different ways of acquiring shares may have a moderating influence on the relationship between managerial ownership and risk-bearing strategies. Clearly, for managers who buy shares which are sold at a discounted price, equity ownership is not a remarkable incentive scheme. Indeed, Lau et al. (2007) find that in the early stage of transition, CEO shareholdings have no significant impact on governance effectiveness.

In terms of the negative relationship between managerial ownership and innovation, it is worthy to briefly discuss of the finding despite its small magnitude and low significance degree. Kuratko and Audretsch (2009) suggest that “innovations can represent fundamental changes from the firms’ past strategies, products, markets, organisation structures, processes, capabilities, or business models.” This statement implies that innovation substantially involves changes to a firm’s status-quo, which may in turn affect the position and benefits of its executives. Therefore, unless managers reap the benefits from innovation, the more equity they own, the less likely they are to opt for innovation. Alternatively put, when managers own more stakes, they become entrenched by hindering innovation in order to guarantee their position (Demsetz, 1983, Fama and Jensen, 1983). This perspective is discussed in Managerial Entrenchment Theory. However, it is of note that this relationship only occurs when managers own substantial stakes in the firm. This finding is consistent with that of George et al. (2005), one of a few studies which finds that TMT ownership is negatively associated with a risk-taking propensity. This provides confirmation of the risk-
aversion tendency of TMT members, which may prevent them from supporting measured risks involved in innovation projects. Nevertheless, because this explanation is only an assumption, it is expected that the further study presented in the following chapters will provide more insights into the effects of executive shareholdings on risky long-term investments.

6.5.2.2. Institutional Ownership

The findings indicate that institutional investors exert no measurable influence on their CE activities. This supports efficiency abatement perspective and reveals that institutional investors are myopic and passive and thus make no contribution to firms in this regard.

As mentioned in the literature review chapter, this finding is inconsistent with the majority of those emanating from the United States (Wright et al., 1996, Hansen and Hill, 1991, Kochhar and David, 1996). It is however consistent with Graves (1988), who found that no relationship existed between institutional ownership and R&D spending per employee. It also concurs with the meta-analysis by Sundaramurthy et al. (2005), who also found no substantive association between institutional ownership and company performance.

There are some possible explanations for this. Firstly, given the fact the institutional investors in the context of Vietnam often lack information about the internal operations of the firms (and even about the industry and its market), their dependence on the CEO and board of directors for the formulation of long-term strategy is crucial. Whereas innovation requires technological knowledge and expertise, venturing decisions rely on an understanding of the market and the industry, and strategic renewal requires knowledge of internal operations. Institutional investors therefore may lack the information enabling them to get involved in these activities. Secondly, institutional investors are likely to invest in those firms with which they have business relationships or are affiliated; in terms of a privatised company, this can depend on the degree of trust they have in its CEO and board members. A stewardship relationship such as this means that institutional investors face certain constraints when attempting to influence the firm’s strategy (Kochhar and David, 1996, p. 82). Thirdly, it is observable that the propensity of institutional owners to speculate on the stock price is high when the market is in its initial development period. In fact, several institutional investors operating in transitional contexts have a short-term investment horizon. Meanwhile, short-term institutional owners tend to encourage managers to engage in opportunistic behaviours (Bushee, 1998). Because entrepreneurial projects are usually based on long-term strategy, often taking up to five or more years before returns are realised, short-term institutional investors (especially in the context of post–privatised companies) are unlikely to encourage such investments. Fourthly, scholars posit that different types of institutional owner may moderate the effects on outcomes of institutional ownership (Brickley et al., 1988, Brancato, 1997, Johnson and Greening, 1999). In regard to innovation, Zahra
(1996a) found positive effects for long-term institutional investors and negative effects for short-term investors. Clearly, given the fact that different types of institutional investors invest in Vietnamese privatised firms, a lack of control over these types may be the reason for the insignificant results found. Again, the following chapters present a more detailed response to this query.

6.5.2.3. Ownership Concentration

No significant effects were found in the relationships between ownership concentration and all three measures of CE. Notably, the findings refute the view suggested by agency theorists that ownership concentration helps to reduce the conflict between shareholders and managers when ownership is dispersed. On the other hand, the result also do not support the principal-principal perspective which contends that, in emerging and transition economies, ownership concentration may result in conflict between controlling shareholders and minority shareholders (Young et al., 2008), in which the latter is expropriated by the former.

Some possible explanation for the insignificant results observed in this study. Firstly, it may be that both PA agency perspective and PP agency perspective complement each other in this context. On the one hand, concentrated ownership reduces the conflict between shareholders and managers which may arise due to free-riding issue of minority shareholders. On the other hand, concentrated ownership results in the tunnelling behaviours of controlling shareholders which are harmful for minority shareholders. In particular, in the context of Vietnamese privatised firms, as many controlling shareholders are state, who are often passive investors, they tend to fail to perform monitoring role and have little interest in corporate activities. Taken together, the reduced conflicts between shareholders and managers are compromised by the tunnelling behaviours or effective monitoring of controlling shareholders.

Secondly, the findings of this study seem to support the Stewardship Theory which argues that in a context where the interests of the managers and shareholders are aligned, concentration of ownership is not related to long-term investments. Indeed, employing Stewardship Theory, Lee and O Neill (2003) offered empirical evidence that stock concentration is not associated with R&D spending in the context of Japanese firms. There is a high possibility that because in the context of Vietnam, the managers tend to behave as stewards, they may behave or make decisions for the sake of shareholders’ welfare. Therefore, ownership concentration does not affect a firm’s long-term strategic decisions.

Relating this to studies in emerging markets, this result contradicts the finding of Li et al. (2010) which, using a sample of Chinese firms identified an inverted U-shaped relationship between ownership concentration and innovation. It should be noted that Li et al. (2009) included all types of firms in their survey, and their respondents included all executives, not only CEOs. However,
this current study supports the study by Choi et al. (2011), who found no significant relationship between ownership concentration and innovation in Taiwanese firms.

### 6.5.3. Board Monitoring

The result shows that board monitoring of CEOs is insignificantly related to innovative and venturing efforts but positively associated with strategic renewal.

As argued in the hypothesis development section, board monitoring may reduce cohesion between the board and the CEO. In the context of privatised firms, as the board members and the CEO usually come from the same former state-owned enterprise, a certain personal relationship tends to exist between them, left over from before privatisation. Any monitoring activity conducted by the board may be compromised by the relationship between the two parties, making any controversial decision more difficult to make. On the other hand, board monitoring may be still beneficial, by helping to ensure the CEOs to behave in the shareholders’ interests. Board monitoring can thus involve both advantages and disadvantages; it is thus found to have no impact on indicated strategic decisions.

The positive association between board monitoring and strategic renewal supports the argument by Westphal (1999) which stated that the monitoring of CEOs contributes to a firm’s strategy implementation. In fact, Zahra (1996a) defines renewal as “revitalising the company’s operations by acquiring new capacities and creatively leveraging them to add value for shareholders.” As such, renewal activities do not essentially involve risky long-term investments, but daily operational activities instead. To maintain and facilitate strategic renewal activities, therefore, board monitoring may be needed to be put in place to ensure these activities are implemented effectively.

### 6.5.4. Moderating Effects of Environment

This study has argued that it expects to find a moderating effect of the external environment on the relationships between governance, ownership and board monitoring, and CE. This view is consistent with evidence from the literature review, which showed that such relationships do indeed vary according to environmental context (Zahra, 1993b, Zahra, 1996b, Zahra and Bogner, 1999, Jansen et al., 2006, Ensley et al., 2006).

As expected, dynamism negatively moderates the relationship between TMT board membership and business venturing. In other words, this relationship is stronger in an environment of low dynamism than in one of high dynamism. The results indicate that in a less dynamic environment, a higher representation of TMT members on the board strongly facilitates a firm’s engagement in venturing activities. Conversely, because the executives are usually risk-averse, they may tend to hesitate to invest in new ventures when the environment is changing rapidly.
It is predicted that environmental heterogeneity positively moderates the relationships between governance variables and CE. Contrary to predictions however, environmental heterogeneity was found to weaken the positive influence of board size on innovation and strategic renewal. The study shows that, in simple and predictable conditions, large boards have more time and obtain greater consensus regarding facilitating innovation and renewal activities. By contrast, when the environment is heterogeneous, board size is of little value in this regard. It is likely that in difficult and highly uncertain environments, large boards may face a higher incidence of conflict among members who are more diverse, providing further constraints to their engagement in innovation and renewal activities. In other words, when faced with heterogeneous environment, smaller boards appear to be able react quicker to entrepreneurial opportunities. Again, this result is consistent with findings by Peng et al. (2007), which suggest that environmental munificence negatively moderates the relationship between CEO duality and company performance.

Furthermore, it should be noted that this finding is to some extent consistent with Heavey and Simsek (2013), who discovered that technology uncertainty negatively moderates the positive relationship between TMT size and company pursuit of CE. The authors argued that under conditions of perceived high uncertainty, the confidence of large teams might be shaken due to the lack of determinacy of information, encouraging them to defer investments. This seems to be a suitable explanation for the phenomenon frequently occurring in the board of directors in privatised firms, where, when in times of uncertainty, doubts arise among board members about potential new investments, any advantage provided by a larger size of board is potentially compromised.

Environmental hostility is found to positively moderate the relationship between institutional ownership and business venturing. As noted earlier, the former has a positive but very weak effect on the latter. However, when interaction with hostility occurs, the relationship becomes strong (and significant at \( p < 0.01 \)). This result indicates that in benign environments, institutional investors have a slight effect on venturing investments; when the environment is more hostile, they produce stronger effects on venturing activities. Although this result should be interpreted with caution, it suggests that institutional investors may pay more serious heed to their return on shareholdings in the face of high uncertainty. This makes them likely to put greater pressure on managers to support venture creation, whereas in a low hostile environment with a diversified portfolio, they are less likely to be concerned with the firm’s potential long-term investments. Alternatively, a more plausible explanation is that in more stressful conditions, institutional investors may be more beneficial to a company when they bring in additional information. Indeed, in a difficult environment, resources like information are very important to support any company attempt to engage in new venture creation. As such, institutional ownership only has strong effects under conditions of environmental uncertainty.
Chapter 6: Analysis of Survey Data

6.6. Conclusions

This chapter provides the results and discussion of the analyses conducted to test the 11 hypotheses proposed in Chapter 4. These give a general picture of the impact of the governance and ownership structure of newly privatised organisations in Vietnam, and the effects of board monitoring, on different dimensions of CE. The results strongly support Institutional Theory by indicating that both CEO duality and the ratio of outside directors have no impact on long-term company investments. This result is particularly valuable for policymakers and practitioners who have long assumed that increasing board independence will reduce management entrenchment and better align the interests of shareholders and managers. Furthermore, the failure to find any negative impact of CEO duality on CE indirectly confirms the Stewardship Theory argument that managers in firms (including privatised firms) in the context of transition economies are unlikely to behave against the interest of shareholders. Stewardship Theory continues to be supported in this study by the negligible effect of managerial ownership on three dimensions of CE in Vietnam. The findings show that because the executives in these firms behave as stewards, equity ownership is unlikely to be an appropriate incentive to encourage them to take more risks. Secondly, the representation of executives on the board does not help to promote innovation and strategic renewal. In fact, having more executives on the board may mitigate the likelihood of the firm’s engagement in venturing activities. An explanation for this finding may be provided by reference to the complementary nature of both Agency and Stewardship Theory, analysed in detail in this study. Thirdly, the results provide some interesting insights into Resource Dependence Theory. Although outside directors tend not to play a role of resource provider to the firm, having more members on the board promotes innovation and strategic renewal. Fourthly, this study supports Myopic Theory, finding no significant relationships between institutional ownership and the three measures of CE. Surprisingly, ownership concentration has no impact on CE, a finding which supports Stewardship Theory, but neither PA Agency Theory nor a PP perspective. With respect to the effect of the business environment, although the impact is limited to some associations, the results show that to a certain extent, environmental uncertainty influences the relationships between board governance, ownership structure, board monitoring and CE.

In sum, the results of this study find that in terms of CE, different theories provide complementary accounts and a more comprehensive understanding of the effectiveness of corporate governance during institutional transition. The set of results lends partial support to the existing theories, and provides evidence that many of them mutually complement each other in explaining this phenomenon in the context of transition economies. Overall however, the study empirically concurs with the argument by Lau et al. (2007), which supports Institutional Theory,
finding that in the context of emerging economies, formal corporate governance is not the most important factor affecting corporate governance effectiveness.

Given the disadvantages of the survey method (which in this case is based only on a questionnaire) the results presented here are not informative enough to provide an insightful understanding of these complicated relationships in a setting which remains under-researched. Case study research obtained through in-depth interviews would be likely to provide additional understanding of the survey findings. Discussion has suggested a number of possible explanations of the findings; further and deeper understanding is still needed. Many unanswered questions are addressed in the case study analysis. For example, CEO duality and TMT board membership do not lead to an enhancement of the risk-taking of privatised firms. If outside directors do not play a role as controller or resource provider, why does their presence decrease company investments in new ventures? Is it true that managers in privatised firms consider themselves to be stewards of the firm? Why does managerial ownership not help to encourage managers to take more risks? Why do institutional investors not play a role in a company’s long-term decision-making? In particular, through a comparison of high and low performing firms in different groups of industries, I examine whether a difference exists in the effectiveness of governance between industries. Arising from these analyses, I expect to gain insights into the role and effectiveness of each element of governance and ownership, and into the relationship between CEOs and board members in terms of their ability to enhance CE. The descriptions of the cases are provided in Chapter 7 and the findings are presented in Chapter 8.
Chapter 7: Introduction to the Case Studies
7.1. Introduction

This chapter presents a company summary, a discussion of governance characteristics, and a description of industry characteristics for each of the six firms selected as case studies. Three pairs of firms—one pair each in capital-intensive industries, knowledge-intensive industries and labour-intensive industries—are to some extent polar types (Pettigrew, 1990): in each pair, one firm is highly entrepreneurial and the other is less entrepreneurial. The cases were also selected to facilitate investigation into variations in governance and ownership structure. They thus include firms with different degrees of state ownership, different types of state-controlling agencies, different levels of institutional ownership, and different board compositions. The objective of the case study analysis is to deepen understanding of the findings from the previous chapter, rather than to generalise the results to include other firms and industries. Having a relatively broad sample of cases supplies a well-rounded picture of corporate governance and ownership structure and their effects on CE in privatised firms in Vietnam.

At the core of the case data effort are 34 interviews conducted with members of boards of directors and top management teams. Narratives from the interviewees about the board and ownership structures of their company are presented to provide a thorough context to each case.

7.2. Case Reports

For each case, I employed a triangulation approach, ‘within-method’ (i.e., across multiple interviews) and ‘between-method’ (i.e., across sources for a given case, including archival and interview-based) to maximise the reliability of the information assembled (Browning et al., 1995). To ensure confidentiality, the firms investigated are given pseudonyms based on industry type (capital-intensive, knowledge-intensive, labour-intensive) and level of entrepreneurial activity (high and low): CapitalHigh and CapitalLow, KnowledgeHigh, KnowledgeLow, LabourHigh, LabourLow.

Table 25 summarises information from the six cases. Most of the firms have been privatised for longer than three years, taking the end of 2012 as the end point of the study period. They are located in four different cities: Hanoi, Ho Chi Minh, Danang and Binh Dinh. The annual revenue in 2012 of the six cases ranged from 38 Vietnamese billion dong (KnowledgeLow, a small privatised firm) to 1,401 Vietnamese billion dong (CapitalHigh). Likewise, the size in terms of the number of employees varies widely, from 45 (KnowledgeLow) to 3,065 (LabourLow). Only one of the six firms is publicly listed on the stock exchange. Two are publicly traded companies, but neither is listed; the three remaining firms are not publicly traded companies and their shares are traded internally.
Chapter 7: Introduction to the Case Studies

Over the three-year study period there is no change to the listing condition of any firm in the sample. Five out of six companies experience changes to their board of directors, these changes broaden the experience of the interviewees, enabling them to provide more insights into the issues studied and provide valuable evaluation. There are only small changes to the firms in terms of ownership structure. The largest change occurs at LabourLow, where the state investor has gradually reduced its shareholding in the company.
Table 25: Description of Case Data

<table>
<thead>
<tr>
<th>Industry Group</th>
<th>Companies</th>
<th>Business Products/ Service</th>
<th>Types</th>
<th>Headquarters</th>
<th>Privatised Year</th>
<th>Revenue 2012 (1,000GBP)</th>
<th>Number of Employees 2012</th>
<th>Number of Informants Interviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital-intensive</td>
<td>CapitalHigh</td>
<td>Purchase, cultivation and processing of medicinal herbs. Provides consulting services on production, science and technology, and technology transfer in medicine and pharmacy.</td>
<td>Listed</td>
<td>Hanoi</td>
<td>1999</td>
<td>41,609.4*</td>
<td>735</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>CapitalLow</td>
<td>Manufacture and trade in pharmaceuticals, dietary supplements and cosmetics.</td>
<td>Nonpublic</td>
<td>Binh Dinh</td>
<td>2008</td>
<td>10,840.4</td>
<td>284</td>
<td>6</td>
</tr>
<tr>
<td>Knowledge-intensive</td>
<td>KnowledgeHigh</td>
<td>Preparation of investment projects, assessment of projects, technical designs and cost estimates; a consultancy for bidding; project supervision and management services; construction planning; architectural design.</td>
<td>Nonpublic</td>
<td>Ho Chi Minh</td>
<td>2007</td>
<td>3,564.0</td>
<td>480</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>KnowledgeLow</td>
<td>Provision of solutions to energy and environment sectors</td>
<td>Nonpublic</td>
<td>Danang</td>
<td>2004</td>
<td>1,128.6</td>
<td>45</td>
<td>5</td>
</tr>
<tr>
<td>Labour-intensive</td>
<td>LabourHigh</td>
<td>Manufacture and export of garments and towelling products.</td>
<td>Publicly traded</td>
<td>Danang</td>
<td>2007</td>
<td>9,890.0</td>
<td>1,887</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>LabourLow</td>
<td>Manufacture of and trade in garments, embroidered and knitted products, sweaters for export; land consumption.</td>
<td>Publicly traded</td>
<td>Danang</td>
<td>2004</td>
<td>2,999.7</td>
<td>3,065</td>
<td>5</td>
</tr>
</tbody>
</table>

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7.2.1. Capital-intensive Industry Cases

7.2.1.1. Overview of the Industry

The pharmaceutical industry in Vietnam has grown steadily in recent years despite the broader macro-economic difficulties faced by the region as a whole. Figure 14 shows the market potential of the industry in 2012 in terms of emerging and mature markets; it indicates that the growth rate of the pharmaceutical industry in Vietnam is high and the market size relatively small. The average annual revenue growth during the period 2009—13 is approximately 18.8 per cent (Nguyen, 2014). At the end of 2012, Vietnam has 183 pharmaceutical companies, including 98 companies producing new medicines, 80 companies producing herbal medicines and 5 companies producing vaccines. According to Business Monitor International, the sales of the three largest publicly traded companies in the sector (Hau Giang JSC (DHG), Capital High and Domesco Medical Import-Export Company, or DMC), account for nine per cent of total market share in 2012 (VPBank Securities, 2014). In general, most pharmaceutical firms in Vietnam produce generic drugs such as antibiotics and painkillers (VPBank Securities, 2014), and the majority invest in developing drugs only for which patents expired. The aforementioned report by VPBankSecurity found pharmaceutical firms in Vietnam reluctant to invest in R&D for patented drugs due to the high expenditure needed and the long horizon involved in the development of a new drug. Those firms which do carry out research, development and manufacture of new product lines tend to be those manufacture traditional medicines.

Figure 14: Pharmaceutical market potential of emerging markets and mature markets;
Source: IMS Health Market Prognosis; Global Insight; Strategy & Analysis (2012)
There are some important characteristics which may affect corporate governance in this sector. Firstly, the majority of manufacturing companies operating in the pharmaceutical industry in Vietnam are state-owned enterprises or privatised firms. As this is a specialist sector which requires a large amount of capital, relatively few private firms operate in this industry, except for distribution companies. The controlling agencies of the sector include local government, the Ministry of Health and the State Capital Investment Corporation (SCIC). The second characteristic of the pharmaceutical industry is the significant difference between those firms which were privatised during the peak period of the stock market (2007) and those privatised later. Companies privatised earlier had greater opportunities to obtain capital surplus and to secure foreign investors who were willing to pay higher share prices. The top three firms in the industry today were privatised before 2007. These firms have a high proportion of foreign ownership and a much higher amount of capital than the others. Firms privatised after 2007 faced greater difficulty in selling their shares and increasing their capital.

7.2.1.2. **CapitalHigh**

CapitalHigh, established in 1972, was a small medicinal manufacturing unit which supplied basic pharmaceutical products for the hospitals attached to the railway industry during the Vietnamese war. In 1993, it was transformed into a medicinal factory as an independent identity. In 1994, the firm was renamed and transformed into an SOE belonging to the Ministry of Transport. In 1999, it was equitized and from 2000 started to operate as a corporation. Since privatisation, CapitalHigh has gained many notable achievements, including several national rewards.

CapitalHigh is widely known among domestic consumers for its herbal medicines. It currently makes 170 products which it sells nationwide. These belong to many pharmacology groups, including antihistamines, antivirals, drugs which act upon the cardiovascular and hematopoietic system, immunisation stimulating agents, antirheumatics, antifungals, vitamins and minerals, cerebral activators and liver tonics. Its two most common products on the market are Boganic (which helps liver function) and a brain-enhancing drug. In 2012, sales of these products accounted for 34 per cent of the company’s total revenue. CapitalHigh focuses on the non-prescription market, stimulates their products’ presence at retailing channel and to the end users.

CapitalHigh’s main competitive advantage is the ability to self-provide 90 per cent of its materials from domestic supply, while the other drug manufacturing companies in the market use imported raw materials from China.

Although the company maintains the image of a supplier of traditional medicines, its products are manufactured with state-of-the-art technology. In the domestic pharmaceutical industry, the firm is also well-known as a leader in scientific research activities aimed at modernising herbal forms of medicine. It has a reputation for being one of the most innovative pharmaceutical companies in
Vietnam. From the early years of its establishment, CapitalHigh put strategies in place to develop a research department. This was founded in 1996 and is considered one of the first models of its kind in the country. Every year the company makes significant investment (about 3-5 per cent of total yearly revenue) in its research department, a high rate compared with other pharmaceutical companies in Vietnam. The company’s strategy during the period investigated (2010-2012) based on the direction of new product development is to retain its leading position in the field of research and development of medicines and healthcare products derived from medicinal herbs. Its investment in the research and development of new products is one of the strength of the company in comparison with other companies in the domestic industry.

Corporate governance

CapitalHigh is the only one of the six companies investigated to be publicly-listed; the others are traded on over-the-counter markets. The basic information regarding the board composition and ownership structure of CapitalHigh and CapitalLow over three years (2010—12) is presented in Table 26.

As of March 25 2011, there is a change in terms of the board composition, when the previous term ends. In the term up to this date (25/3/2011), the board consists of six members who are either executives or full-time directors. CapitalHigh had maintained this dual leadership structure for about ten years. However, the board composition changes significantly in 2011 when the company separates the two roles of board chair and CEO, with the chairperson continuing her job and the vice president assuming the position of the General Manager. There are only three executive board members, namely the General Manager, the head of Ho Chi Minh branch and the head of the planning department. Since 2011, there is one outside independent director on the board, which thus has a total of five directors of which three are executives, one is independent non-executive, and one is the full-time chairperson. It is noted that according to Vietnamese law (which considers anyone not assigned by the board to be an independent outside director), the head of the planning department is considered to be an independent director. However, following the definition used by this current study, this director is not independent as she is a full-time employee of the company. In addition, although the SCIC is in charge of the state capital in this company, they assign the representation for the state shareholdings to one of the directors. Prior to 2011, this role belonged to the CEO-chair; after 2011, it is assigned to a director who is also the CEO (but not the chair), as the former CEO-chair’s age exceeds the mandatory retirement age. This change of the representative for the state shares from the former CEO-chair to the newly appointed CEO Director may reduce the de facto power of the chair. Conversely, the CEO, who is representative for the state shareholdings since 2011, tends to assume more de facto power.
In regard to ownership structure, the three main groups of shareholders are the state, foreign investors and employee investors. As mentioned earlier, because CapitalHigh was privatised before 2007, the company’s shares were considered highly desirable when the stock exchange was at peak performance in 2007. The company thus had the advantage of being able to sell shares directly to strategic investors. By the end of 2012, large shareholders who hold a stake which exceeds five per cent of the company’s share capital include the SCIC and two foreign funds, considered to be beneficial investors for privatised firms. While the state continues to hold the same amount of shares over the three years, foreign investors (who are mainly fund managers) bought more shares to increase their proportion of ownership in the company. As such, the ownership structure of the company became highly concentrated. Furthermore, because outside individual investors have had fewer opportunities to buy shares in the company, the majority of individual investors are company employees. In addition, as the executives are encouraged to increase the number of company shares they own, many bought back the shares which employees sold. As such, they come to own substantial stakes compared to other listed firms of the same size. It is important to note that despite the largest shareholder group being made up of foreign investors, the state is the largest investor, therefore has the most voting rights at the shareholder’s meetings.

Table 26: Corporate Governance and Ownership Structure of Cases in Capital-intensive Industry

<table>
<thead>
<tr>
<th></th>
<th>CapitalLow</th>
<th>CapitalHigh</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO duality</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>TMT board membership</td>
<td>2/5</td>
<td>2/5</td>
</tr>
<tr>
<td>Outside ratio</td>
<td>0/5</td>
<td>0/5</td>
</tr>
<tr>
<td>Board size</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>State ownership (%)</td>
<td>37.7</td>
<td>37.7</td>
</tr>
<tr>
<td>Institutional ownership (%)</td>
<td>16.7</td>
<td>18.8</td>
</tr>
<tr>
<td>Foreign ownership (%)</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Ownership concentration (%)</td>
<td>48.0</td>
<td>48.5</td>
</tr>
<tr>
<td>Managerial ownership (%)</td>
<td>0.4</td>
<td>0.5</td>
</tr>
</tbody>
</table>

7.2.1.3. CapitalLow

CapitalLow is a subsidiary of a firm which used to be wholly-owned by the state and which operates in several different sectors, but mainly in the pharmaceutical sector. The firm mainly manufactures generic products. The technology level is however quite high, satisfying World Health Organisation standards (including GMP/GLP/GSP, ISO 9001:2008). Notably, CapitalLow is
not privatised from an independent SOE; it is transformed from one of the manufacturing plants of the parent firm. Its main function is to manufacture drugs, pharmaceutical materials and equipment; research and distribution is conducted by the parent firm. The mutual relationship between the parent company and CapitalLow thus remains close. The chairperson described this relationship thus:

“Because CapitalLow is a small firm privatised from a manufacturing unit, if it developed its own distribution system, it would spend a lot of money on management; it would experience losses easily.”

Indeed, CapitalLow obtained several advantages from its parent firm, including a brand name and human capital. Although the parent firm retains about 37 per cent ownership, as the rest is highly dispersed among institutional investors, managers and employees, it still has control over the company’s investment decisions. At the same time, the R&D function is operated by the parent firm, making R&D activities hard to evaluate. Likewise, strategic renewal and venturing activities also depend on the strategy of the parent firm. As a consequence, the entrepreneurial activities of this firm apply only to organisational and process innovation activities.

**Corporate governance**

According to Vietnam Securities Law, companies which capitalise at more than 10 billion Vietnamese dong⁵ (equivalent to approximately 297,000 Stirling pounds) or which have more than 100 investors are deemed to be publicly traded companies (Article 25) and have to register with the State Securities Commission (SSC). To avoid the administrative procedures relating to SSC regulations, CapitalLow has not done this, despite exceeding the minimum requirements which oblige it to do so (inefficiencies in Vietnam’s legal system encourage many companies to contravene company law by altering their data to avoid becoming a publicly traded company).

CapitalLow has five directors: three are the executives of the parent company, one is executive of both the parent and the focal firm, and one is executive of the focal firm. Because the parent firm is still wholly-owned by the local government, these directors are actually state bureaucrats. When being asked: “Why are four out of five directors employees of the parent firms although state ownership is only about 37 per cent of ownership?”, the chair of the board of directors explained:

“Because in addition to the state investor and some institutional investors who hold a small proportion [of shares], the majority of investors are employees of the parent firm;
they were able to accumulate their voting rights up to 10 per cent to have the right to introduce one representative on to the board, according to company Law.”

After privatisation, the board leadership structure has been maintained as independent. Interestingly, as well as the chairperson being the general manager of the parent company, the CEO is also the vice manager of the parent firm. Apparently then, although the leadership structure is independent, the actual relationship between chair and CEO is not. In addition, of the five board members only the vice manager is not currently a staff member of the parent company. Thus, although the board structure appears independent, because the privatised firm used to be part of the parent firm, the directors are not truly independent. In reality, they are considered to be affiliated directors. When asked how the state investors govern their ownership in CapitalLow, the chairperson said:

“The parent company only supports their subsidiaries; they do not control them… Firstly, because CapitalLow is the supplier of the parent firm-state investor, the parent firm has to support it. Secondly, if CapitalLow performs better, the state investor will get higher returns. The state investor does not therefore have much control and influence.”

In this study, firms which are more than 50 per cent state-owned are not considered institutional investors but state investors. CapitalLow is 37.66 per cent state-owned. A few institutional investors own about 17—18 per cent of shares, and until 2012 (when they sold their stake) a small quantity are owned by individual foreign investors. Managerial ownership is relatively modest, at less than 0.5 per cent, a much lower proportion than CapitalHigh. This is because employees have not sold their shares over time and managers thus have few opportunities to buy them back. Meanwhile, as CapitalHigh was privatised in 1999, it was able to tap peak stock market growth in 2007 increase its capital. Most employees sold their shares when the price was high, at which point the managers of CapitalHigh took the opportunity to increase their number of shares.

7.2.2. Knowledge-intensive Industry Cases

Knowledge-intensive industries include several service sectors such as management consulting, architecture, technology transfer and banking. The two knowledge-intensive case firms fall into two sectors: the construction consulting sector and the environment solutions sector.

7.2.2.1. Construction Industry and KnowledgeHigh

After enjoying remarkable growth for over a decade (2000-11), in 2011-12 the construction industry in Vietnam experiences a bubble and a fragile economy, resulting in low growth. This is due to an oversupply of housing and difficulties in the availability of financing (Business Monitor International, 2013). Bad debts increase in the industry, with many local construction firms going bankrupt and public investment projects cutting off financing (US. & Foreign Commercial Service
Department of State, 2013). Alongside this failure of the construction industry, related sectors such as architecture services, concept design, construction management, project management and new building technologies are strongly affected. At the same time, competition in the sector is very intense, with many international architects and construction service companies establishing a foothold in the market. However, in the longer term, Vietnam is likely to continue to present opportunities, as private developers and local governments address strong demand for infrastructure, housing and industrial facilities throughout the country. An industry report presented by Business Monitor International (2013) indicated that Vietnam remains a dynamic market, achieving a high score for sector growth. Construction spending is estimated to grow by approximately seven per cent per year over the five years from 2013 (2013-18) (AECOM, 2013). In particular, AECOM\(^6\) projects that Ho Chi Minh, the location of the headquarters of KnowledgeHigh, will become one of the main investment markets in the near future. Figure 15 shows the estimation of construction spending growth in Asia over the five years from 2013-18. It indicates that Vietnam is among the top countries in Asia with the highest spending growth in the field of construction.

\[\text{Figure 15: Estimation of construction spending growth in Asia from 2013 to 2018} \]

\[\text{Source: HIS Global Insight (2012)} \]

KnowledgeHigh

KnowledgeHigh underwent privatisation in 2007, changing from a state-owned enterprise which is managed by the Ministry of Construction. It was established in 1975, just after the country emerged from the Vietnamese war, since when it has built up a strong base and is among the most well-known in the sector. However, the state still holds controlling rights in the firm, with

\(^6\) AECOM is a global provider of professional technical and management support services such as transportation, facilities, environmental, energy, and water.
51 per cent ownership. In 2011 and 2012, when many firms face difficulties as a result of the economic downturn, KnowledgeHigh focuses on restructuring. In particular, it restructures its R&D and technology management department by splitting it into two units: the Centre for International Cooperation and the technical department. It also cut the number of employees not reaching efficiency targets and ultimately reduces administration costs. Although there is no venturing activity during the three years investigated, innovation and renewal activities are quite significant. In terms of performance, market shrinkage means that sales decrease considerably. However, given improvements in productivity, after-tax income remains the same over the three years. The CEO of KnowledgeHigh talked about the firm’s approach to innovation:

“For a consulting company, what is important for survival is innovation which includes both organisational innovation and process innovation in order to ensure the quality of output. Both activities are quite good now and we regularly implement these activities.”

Corporate governance

The governance KnowledgeHigh characteristics of KnowledgeHigh have changed considerably over three years (see Table 27). Before 2011, the company maintained an independent leadership structure which combined the two roles of chair and CEO. In 2012 however, this transforms into an independent leadership structure. In 2010 and 2011, the board consists of only three members who are also executives; in 2012, the number of board members increases to five, including three executives, one non-executive independent director, and the chair. The board of director has thus become more independent after 2012. As the company is a state-owned enterprise under the Ministry of Construction, there is an administrative relationship between the company and the ministry’s management body. As such, the non-executive director in this case is deemed to be an affiliated outside director.

The firm’s ownership structure does not change over three years. Of the six firms in the sample, only KnowledgeHigh experiences 51 per cent state ownership, making the firm subject to the control of the Ministry of Construction. In theory, the ministry is thus able to exercise a dominant influence at annual shareholders’ meetings; in practice however, the ministry is mostly uninvolved in governing the company. The company makes its management decisions on a fully independent basis in accordance with the structure of duties and responsibilities assigned to its corporate bodies; the ministry only uses its voting rights in board or shareholders’ meetings, when the firm wants to increase its share capital or when the capital for certain investments exceeds a certain level at which the decisions need to be approved at the shareholders’ meeting. When asked about ministry influence on the company’s investment decisions, the chair said:

“In fact, our business is much simpler than the others because our sector is knowledge-based where human capital is more important than financial capital. The shareholders
do not therefore play much role in decision-making processes or in the firm’s investment choices.”

Institutional investors, most of whom are firms operating in the construction industry, owned 17.6 per cent of capital shares; the proportion of shares held by individual investors is negligible. The five executives in total own no more than two per cent of the company’s shares, as managers are only able to buy shares based on the number of years they had worked for the company, which in most cases is low. Furthermore, unlike labour-intensive or capital-intensive firms, investors in KnowledgeHigh are less likely to sell off their shares, which provides fewer opportunities for managers to buy them back.

Table 27: Corporate Governance and Ownership Structure of Cases in Knowledge-intensive industry

<table>
<thead>
<tr>
<th></th>
<th>KnowledgeLow</th>
<th></th>
<th></th>
<th>KnowledgeHigh</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO duality</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>TMT board membership</td>
<td>2/5</td>
<td>2/5</td>
<td>2/5</td>
<td>3/3</td>
<td>3/3</td>
<td>3/5</td>
</tr>
<tr>
<td>Outside ratio</td>
<td>1/5</td>
<td>1/5</td>
<td>1/5</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Board size</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>3</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>State ownership</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>51</td>
<td>51</td>
<td>51</td>
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<tr>
<td>Institutional ownership</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>17.64</td>
<td>17.64</td>
<td>17.64</td>
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<tr>
<td>Foreign ownership</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Ownership concentration</td>
<td>86</td>
<td>86</td>
<td>86</td>
<td>75.78</td>
<td>75.78</td>
<td>75.78</td>
</tr>
<tr>
<td>Managerial</td>
<td>54</td>
<td>54</td>
<td>54</td>
<td>1.51</td>
<td>1.51</td>
<td>1.51</td>
</tr>
</tbody>
</table>

7.2.2.2. Environmental and Pollution Control Equipment and Services and KnowledgeLow

Vietnam is increasingly facing environmental challenges related to water, air and solid waste pollution. Major contributory factors include accelerating industrialisation, rapid urbanisation, and the ineffectiveness of the Law on Environmental Protection and Development. The country’s industrial production grows at about 14-15 per cent per year over the decade up to 2012; in June 2012, there are 334 industrial parks and export processing zones (U.S. Commercial Service, 2013). Industrial parks have presented a great opportunity for wastewater treatment plants as the government has exerted more pressure on industry in terms of environmental compliance. Indeed, industrial wastewater treatment has become a critical need, as 75 per cent of untreated wastewater is discharged directly into rivers and lakes. In regard to solid waste, according to the Vietnam Ministry of Natural Resources and Environment, about 28 million tons are discharged
each year, of which 17 per cent originates from industrial production zones. This also presents an attractive potential market for firms offering environmental solutions.

KnowledgeLow

KnowledgeLow is a service company that provides environmental solutions. These include evaluating environmental impact, providing measurements to aid the minimisation of environmental pollution, and designing and constructing waste treatment systems (including water, solid, and air waste). The company also provides services to the industrial solution sector, including the installation and servicing of industrial machines for production lines, and technology transfer. KnowledgeLow was privatised in 2004; prior to this it was an SOE owned by local government. As with KnowledgeHigh, KnowledgeLow is also affected by the economic downturn in 2012. Decreases in volume associated with the construction industry and increased competitive pricing pressure have a negative effect on the company’s operating results. For reasons of confidentiality, access is not available to the company’s annual reports. However, results from the interviews suggest that the board of directors have not been able to find any new business line to replace the decreasing demand for the company’s current services. For almost 10 years after privatisation the company continues to focus only on environment solutions services. One board member complained about the company’s entrepreneurial activities in the following terms:

“Our company has followed the same path since I initiated the environmental solutions service in this company several years ago.”

Corporate governance

The board of directors of KnowledgeLow consists of five members: the CEO-chair, one executive director, and three non-executive directors. Of the three non-executive directors, two are former company employees. According to company law, these three directors are deemed to be independent outside directors. However, according to the definition of this current study they are affiliated outside directors. These non-executive directors were selected onto the board of directors because of their expertise and knowledge in the sector. One independent non-executive director is a businessman with no business relationship with the company.

In contrast to the other case study firms, the chairperson owns 23 per cent and her close relatives own 28 per cent of the company’s shares. Because these relatives delegate their voting rights to the chair, she has controlling voting rights in shareholder meetings. Thirty-five per cent of the share capital belongs to an independent non-executive director. As such, the ownership structure of KnowledgeLow is characterised by a concentrated distribution of ownership by individual investors. Furthermore, no institutional or foreign investors invest in this firm. It is of note that this situation is common among small SOEs in Vietnam which have been transformed.
into joint-stock companies. As these former SOEs are small, their value obtained by selling off shares at privatisation is not excessive, and they are thus less attractive to institutional and foreign investors. On the other hand, in instances where surplus value is high, such firms tend to try to prevent shares being sold to outside investors. This is the reason most outside investors are affiliated investors. In the case of KnowledgeLow, the independent non-executive director had an opportunity to buy company’s shares because of his personal relationship with the chairperson.

Aside from the CEO (who bid to buy back a high number of shares at the takeover of the company when the previous individual investors sold them off), the other two executives own a small proportion of shares (about four per cent, representing a small total number of shares and thus an unremarkable value). This characteristic should be noted because it reflects that although the company’s managerial ownership is high, it is concentrated only on the CEO.

### 7.2.3. Labour-intensive Industry Cases

In Vietnam, the textiles and garments, shoes and food-processing sectors are typical examples of labour-intensive industries. Among these, the textiles and garments industry (that of the two labour-intensive case study firms) accounts for the highest proportion of employment.

#### 7.2.3.1. Overview of the Industry

There are approximately 6,000 textiles and garments enterprises throughout Vietnam. The sector employs more than 2.5 million workers, accounting for 25 per cent of the country’s industrial sector employment (FPT Securities, 2014). The majority of enterprises in the private sector (84 per cent) are concentrated in the South East and the Hong river delta. Textiles enterprises account for 70 per cent of the total number of enterprises in the sector with exports comprising mainly cut-make-trim activities (85 per cent) (FPT Securities, 2014).

The textiles and garments industry plays a very important role in Vietnam's prosperity. It is the largest export sector, with an export value of USD 15.8 billion and USD 17.15 billion in 2011 and 2012 respectively. The growth rate of the industry in the period 2008-13 reaches 14.5 per cent per year, making Vietnam one of the countries with the fastest export growth (FPT Securities, 2014). Figure 16 shows the growth of revenue arising from textiles and garments export over the period 2005-12 (Thornton, 2012). Ken Atkinson, managing partner at Grant Thornton Limited (Vietnam) reports in 2012 that Vietnam textiles and garments industry exports would reach USD25 billion by 2020. With more than two million labourers, in 2012 the industry provides a quarter of Vietnam’s total industrial employment. Its main export markets are the United States,
the European Union and Japan, its customers including well-known labels worldwide such as JCPenney, Nike, and The Gap from the US, Marks & Spencer and Pierre Cardin from Europe, and Itochu and Mitsui from Japan.

In terms of value added and technology, the Vietnamese textiles and garments industry comprises mainly cut-and-sew garments manufacturers. One of the challenges faced by the sector has been its slow transformation from cut-make-trim to original design manufacturing (World Bank, 2011). However, the realisation of a fully integrated value chain, from the production of cotton to finished fabric, needs large amounts of capital, know-how and technology. The sector also faces the challenge of lack of skilled and semi-skilled labour. As a consequence, the textiles and garments sector in Vietnam is one of low value-added production.

In 2012, the state continues to maintain its presence, with a 21 per cent holding in the textiles and garments industry in the firm (the same as it share of the chemicals industry) (World Bank, 2012).

7.2.3.2. LabourHigh

Before being privatised in 2006, LabourHigh was an SOE belonging to local government. It specialises in the manufacturing and trade of towels and garments. LabourHigh is a professional supplier with many years’ experience in the textiles and garments sector, and in the domestic market is known as Vietnam’s main towel and shirt manufacturer. In the three years investigated for this current study (2010, 2011 and 2012), the company gains significant achievements in performance. Company annual reports indicate that revenue for these three years is 193; 272 and 333 billion Vietnamese dong, respectively.

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One of the venturing activities of the firm during this period is to invest in a suit tailoring plant. This is an entirely new production line for the company. However, as with the majority of Vietnamese textiles and garments companies, LabourHigh is mainly located at the first or second stage of the garments value chain (the first stage is cut-make-trim; the second stage is original equipment manufacturing). From 2010, the company begins to upgrade to the higher stage of the garments value chain, namely original design manufacturing.

With regard to renewal activities, the company focuses on improving productivity by applying lean manufacturing, and restructuring the departments and manufacturing units. It reorganises several departments, including moving the textiles technology department to the textile factory, merging the production management and import and export departments, and setting up a garment quality management department. This helps to increase coordination and communication among the company’s departments and manufacturing plants. Of the renewal activities mentioned, the management board is most interested in the area of productivity improvement.

Corporate governance

The structure of the firm’s board changes in 2012, when the number of directors decreases from seven to five, and one executive ceases to hold their position altogether (see Table 28). During the three-year period of study, two independent non-executive directors sit on the board. One is the representative of a large state-owned textiles and garments company. In contrast to CapitalLow, whose government-owned investor is the parent firm, LabourHigh has no administrative relationship with its state investor. The other independent non-executive director includes an individual investor who is the owner at a large company which supplies equipment for the Vietnamese textiles and garments industry. The large shareholders (that is, with shares exceeding five per cent of total ownership) include one SOE and one institutional investor. In 2011, the firm issues separate shares which are bought mainly by the major existing shareholders. Those shareholders given the opportunity to buy are defined by the board of directors; both the managerial and employee ownership increases slightly as a consequence. Notably, the number of capital shares owned by the state fell in 2011; by 2012 it is no longer held by shareholder in the company. This is a result of the government requirement for SOEs to reduce their investment in subsidiaries or affiliated companies.
Table 28: Corporate Governance and Ownership Structure of Cases in Labour-intensive Industry

<table>
<thead>
<tr>
<th></th>
<th>LabourLow</th>
<th>LabourHigh</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO duality</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>TMT board membership</td>
<td>1/3</td>
<td>2/3</td>
</tr>
<tr>
<td>Outside ratio</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Board size</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>State ownership</td>
<td>30.0</td>
<td>30.0</td>
</tr>
<tr>
<td>Institutional ownership</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Foreign ownership</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Ownership concentration</td>
<td>47.9</td>
<td>53.4</td>
</tr>
<tr>
<td>Managerial</td>
<td>6.4</td>
<td>6.4</td>
</tr>
</tbody>
</table>

7.2.3.3. LabourLow

LabourLow is a state-owned enterprise belonging to the Vietnam National Textiles and Garments Group (Vinatex). Vinatex is one of Asia's leading textiles and garments groups, with a relationship with more than 400 organisations from 65 countries. It was established in 1995 as a result of a merger between textiles and garments state-owned enterprises. Of its 120 members, 95 have already been equitized; LabourLow was privatised 2006. Since 2010, the company's stocks have been traded on the over-the-counter security market (Unlisted Public Company Market, or UPCOM). It is a textiles and garments company, mainly carrying out outsourcing for large companies in the United States, Japan and Korea. From 2010 until the end of 2012, the company has worked to increase its targeting of European markets.

In regard to venturing activity, in 2011 LabourLow creates a new firm which focuses on wholesale fabric and ready-made garments and in which it holds 70 per cent of shares. This newly-formed venture aims at upgrading the company to enable it to enter higher-value segments such as branding and design. At the end of 2012, the sales of free-on-board/original equipment manufacturing products accounts for 69 per cent of total sales. During the three years under investigation, the firm implements several renewal activities, focusing on implementation of the first stage of lean manufacturing. A deputy managing director explained:
“We only focus on the elimination of process bottlenecks on the shop floor. We could only improve some operations on the shop floor and for weak or under-resourced lines, to improve the effectiveness of the whole. We have not been able to implement every technique of lean manufacturing yet.”

It seems that few innovation activities are undertaken by the firm during this three-year period. One middle-level manager said: “Compared with [our] competitors, we are far behind them.” Yet some renewal activities are carried out, including strengthening the organisation system of plants, converting the functions and arranging production lines, rearranging line managers and technicians in the manufacturing units, reducing administrative staff from 200 to about 100 employees, and changing the job of employees in areas which are over-staffed. In terms of actual performance, LabourLow is not far behind LabourHigh; however, taken all together, the degree of entrepreneurship and company performance of LabourHigh is clearly higher.

In 2010 and 2011, the board of directors has only three members; this increases to five in 2012. The chair has held his position from September 2010 onwards without assuming the role of CEO. The CEO is the representative for the state shareholdings at the firm. During the period of study he is also Vinatex’s vice president. It is noteworthy that he held the position of CEO of LabourLow during its founding period. Except for the position of the chair, the composition of the board has changed significantly between 2010 and 2013. In 2011, an executive is added to the board. In 2012 one executive director and one independent non-executive director joins the board. The board appears not only to be gaining independence but also acquiring greater participation from members of the top management team.

The largest shareholder in LabourLow is the state, whose ownership is governed by Vinatex; the second largest shareholder is an individual investor, a well-established businessman in garments manufacturing and retail. Only these two shareholders have a share of ownership exceeding five per cent, meaning the proportion of concentrated ownership is about 60 per cent in 2012. The rise of concentrated ownership over the three years derives from the increase in shareholding of the individual investor. As in many privatised firms, managerial shareholdings are comparatively small in terms of value. The reason for this, as noted in Chapter 2, is that each employee was permitted to buy shares based on the number of years worked at the company. In addition, although LabourLow was privatised before 2007, its employees did not sell their shares at the time of the bubble. This situation was explained by the company CEO:

“We have no rights to buy more; we only could buy based on the number of years worked at the company. Later, when the employees sold their shares, we bought back, but not much.”
Only a very small proportion of shares are held by institutional investors. As with LabourHigh, there are no foreign investors in the company. As a result, when the company makes shares available to strategic investors, only domestic investors invest in the company.

7.3. Conclusions

This chapter provided an introduction to each case study, familiarising readers with the general context of the industries concerned and presenting the background of the six firms studied. Most importantly, it has provided detailed information about the board composition and ownership structure which shapes the governance characteristics of each company.

Firstly, I described two firms with varying levels of entrepreneurship in a capital-intensive industry, namely, pharmaceuticals. CapitalHigh is a highly entrepreneurial company in which the state had a controlling vote, with 37.66 per cent of shareholding. CapitalLow is a less entrepreneurial company, characterised by its dominant ownership by a state-owned enterprise belonging to local government. It was a privatised factory of parent firm. Although the state investor owns only 37.66 per cent of capital shares, it has controlling voting rights, due to the fact that the ownership structure is dispersed among institutional investors and employees.

Next, I introduced two companies operating in knowledge-intensive industries: one in construction-related services and one in environment solution services. The highly entrepreneurial KnowledgeHigh operates in the construction sector and is characterised by its 51 per cent controlling ownership by the government's Ministry of Construction. KnowledgeLow represents a typical case of a small privatised firm which was CEO-dominant (having more than 51 per cent of voting rights). It is the less entrepreneurial of the pair.

Lastly, I outlined two cases in a labour-intensive industry (textiles and garments). The more entrepreneurial LabourHigh represents a successful case of a state-owned enterprise which was fully transformed into a public company. This is also a typical case, in which foreign investors are the largest shareholders. In contrast, the less entrepreneurial LabourLow represents a case where a state group (here, the Vietnam Textiles and Garments Group) is the largest shareholder. In addition, this case presents an interesting element, namely, the participation of an individual investor who has expertise and experience in the industry.
Chapter 8: Case Study Analysis
8.1 Introduction

Using information drawn from the case firms introduced in Chapter 7, this chapter continues to explore the relationship between governance, ownership and CE, to obtain greater understanding of the findings discussed in the quantitative analysis in Chapter 6. I begin in Section 8.2 by summarising the case analysis procedures, before turning in Section 8.3 to a discussion of the cases and the light they shed on the relationships among key study variables. Section 8.4 highlights various emerging themes from the analysis of interviewees’ discussion. Section 8.5 strengthens the earlier findings through comparative case analysis. Section 8.6 presents the results and discussion of moderating effects of state ownership on the relationships between governance, ownership and three dimensions of CE. Section 8.7 concludes.

8.2 Case Analysis Procedure

Using archival sources and interviews with the board members and top executives of six firms, I obtained a wide range of perspectives on the links between board governance, ownership structure and board monitoring, and with each firm’s entrepreneurial activities. Table 29 provides the details of interviewees at six firm cases.

A thematic coding using the pre-determined variables was undertaken (Aronson, 1994, Braun and Clarke, 2006). To understand how and why board composition and ownership structure affect long-term investments, I coded interview transcripts against the category lists. These include the variables employed for analysis in the survey study: CEO duality, TMT board membership, outside ratio, board size, managerial ownership, institutional ownership, ownership concentration and board monitoring. All the texts relating to theoretical arguments are coded into four categories: Agency, Stewardship, Resource Dependence and Institutional theories. New emerging themes were generated during the data coding. The theoretical labels were assigned to the provisional categories. The category lists were revised step-by-step to enable fit and descriptive power (Miles and Huberman, 1994). The overlapping themes were merged and some were reallocated to appropriate categories. The quotes cited in the analysis and discussion of findings provides qualitative evidence of the relationships studied and is illustrative of the new themes emerging from the data.
### Table 29. Descriptive Information for Respondents

<table>
<thead>
<tr>
<th>Industry Group</th>
<th>Profile</th>
<th>Number of interviewees</th>
<th>Position on the board</th>
<th>Position on the TMT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Labour-intensive</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>1</td>
<td>Chairperson</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
<td>Vice chair</td>
<td>CEO</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3</td>
<td>Board member</td>
<td>Head of Financial Department</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4</td>
<td>Board member</td>
<td>Vice manager</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5</td>
<td>No</td>
<td>Head of Business Development Department</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>1</td>
<td>Chair</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
<td>Vice chair</td>
<td>CEO</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3</td>
<td>No</td>
<td>Vice manager</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4</td>
<td>Board member</td>
<td>Head of business unit</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5</td>
<td>No</td>
<td>Head of Human Resource management</td>
</tr>
<tr>
<td><strong>Capital-intensive</strong></td>
<td></td>
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<td></td>
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<tr>
<td></td>
<td>High</td>
<td>1</td>
<td>Chair</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
<td>Vice chair</td>
<td>CEO</td>
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<td>3</td>
<td>No</td>
<td>Vice manager</td>
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<td>4</td>
<td>Board member</td>
<td>Vice manager</td>
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<td>5</td>
<td>Board member</td>
<td>Head of Business Development Department</td>
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<td>6</td>
<td>No</td>
<td>Head of Financial Department</td>
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<tr>
<td></td>
<td></td>
<td>7</td>
<td>Board member</td>
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</tr>
<tr>
<td><strong>Knowledge-intensive</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>1</td>
<td>Chair</td>
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<td>2</td>
<td>Board member</td>
<td>CEO</td>
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<td>3</td>
<td>Board member</td>
<td>Vice manager</td>
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<tr>
<td></td>
<td></td>
<td>4</td>
<td>Board member</td>
<td>Head of business unit</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5</td>
<td>No</td>
<td>Head of Technical Department</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6</td>
<td>No</td>
<td>Head of Designing Department</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>1</td>
<td>Chair</td>
<td>CEO</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
<td>Board member</td>
<td>Vice manager</td>
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<td></td>
<td></td>
<td>3</td>
<td>Board member</td>
<td>No</td>
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<tr>
<td></td>
<td></td>
<td>4</td>
<td>No</td>
<td>Vice manager</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5</td>
<td>Board member</td>
<td>No</td>
</tr>
</tbody>
</table>
Chapter 8: Case Studies Analysis

8.3 Explanation of the Findings in the Survey Study

The analysis in this section is divided into three sub-sections, addressing three research questions of board governance, ownership structures and relations between board members and CEO.

8.3.1. Board Governance and Long-term Decisions

8.3.1.1. CEO Duality

The finding of the quantitative analysis presented in Chapter 6 shows that the combination of two roles—chairperson and CEO—exhibits no association with the three dimensions of CE investigated. In other words, this independent leadership structure does not appear to influence one way or the other the level of CE. The interviews provided different views on the role of an independent leadership structure in the privatised firms. In general, the reactions among interviewees to the two separate roles of the chair and the CEO were not uniformly negative or positive, concurring with the quantitative findings. While many interviewees preferred the two positions to be held by two different people, others raised concerns that the separation would be likely to result in conflict between the board and management, and be counter-productive to long-term decision-making. To illustrate the range of thoughts, I cite here quotations from several directors.

Showing support for the separation of the roles of chairperson and CEO, an executive chair of KnowledgeHigh commented:

"Usually, the model after privatisation is not only two-in-one but three-in-one, which means that one person can assume three roles—chairperson, CEO, and Chief Secretary of the Communist Party, which leads to a limitation in terms of the human factor. When [one person] has these three roles, they are less willing to innovate, take risks and take care of the community. Furthermore, as the leaders who have three roles are often older people, they tend to be inert and lack the bounce of the youth."

CEO “plurality”—the combination of the chair, CEO, and Chief Secretary of Communist Party—is quite common in privatised firms in Vietnam where the state still has controlling voting rights. While Dargie (1998, p. 174) noted that “the chief executives in the public sector were not: figurehead, leader, entrepreneur and liaison,” the combination of the three roles may reduce the propensity of firms to take measured risks. Worrell et al. (1997) argued that CEO plurality is more likely to create conflicts of interest than CEO duality. In particular, Finkelstein and D’Aveni (1994) found that when the CEO is powerful, the possibility of CEO entrenchment is higher. Given that the majority of CEOs in privatised firms in Vietnam is appointed by the state controlling agencies, either dual CEO-chair or CEO plurality position gives them de facto power
which may lead to the risks of CEO opportunism. As such, individual characteristics of CEO-chairs in privatised firms play a very important role. If they are more likely to behave as the stewards of their firms, they will act for their shareholders’ interest. In contrast, if they are more likely to be opportunistic, they will expropriate the shareholders’ value. In fact, the chairperson of CapitalHigh contended: “The adoption of dual leadership structure largely depends on the business ethics of CEO-chairs. If he/she is opportunistic, the firm would never develop because that person has an infinite power.” From another viewpoint supporting a separate structure, the chairperson of LabourHigh also noted, “Separated CEO and chair roles embodies its own advantage; it helps to slow down the CEOs in cases when there is a problem [with the CEOs].”

In contrast, many other interviewees advocated the combined structure. For instance, the chairperson of CapitalHigh, who had been CEO-chair for about ten years before transferring her CEO role to her subordinate, commented:

“We combined the two roles when the company was small. Joining the roles of chair and CEO makes the decision-making on innovative issues quicker. If the two roles were separated, we would have to organise many meetings which could lead to several personal views and subjective opinions. If the consensus is not high, a separate structure will become an obstacle to innovation.”

This view is consistent with findings of prior research (Alexander et al., 1993, Finkelstein and D’Aveni, 1994) which state that a unity of command in a dual structure is more beneficial for decision-making. When asked whether this combined role leads to ineffective monitoring, the chair continued to defend her point of view:

“Every decision is made by the whole board of directors, not solely by the CEO-chair. However, when faced the difficulty decisions, this person will make decision and take opportunity very quickly.”

As such, the combined role is better for those strategic investments which require quick decision-making. Many interviewees from the other firms (such as KnowledgeHigh, KnowledgeLow, and LabourHigh) expressed a similar view to the one above.

In another context, commenting on whether privatised firms should adopt an independent leadership structure, the chairperson of CapitalLow raised his concern about a potential conflict of interest between the two roles. He said: “If they (the chair and CEO) consent to each other, separating the [two] roles will be the best option. If they have no consensus, they will quarrel all the day. It should be noted that due to the Asian cultural characteristics, the monitoring function
in Vietnamese companies is not as professional as in their counterparts in the West.” He reasoned:

“If the government obliges the firms to separate the two roles, it may be an inappropriate policy because we are different from those in developed countries. In companies in developed economies, chairs are very powerful: If CEO does not perform well, chair may act to dismiss CEO immediately. In Vietnam, it is more difficult for a chair to replace a CEO.”

As such, in the context in which there is a lack of condition for monitoring function to be effective, an independent leadership structure may be not beneficial.

On the other hand, an executive director of CapitalHigh summed up the views of many interviewees by commenting on both sides of CEO duality:

“There are both advantages and disadvantages. While dual role enables quick decision-making, separation of the two roles helps to promote board monitoring. When chairperson assumes a CEO role, implementation of a company’s strategies will be quicker. However, when the power is placed in one position, it is more likely to lead to conservative decisions.”

This indicates a trade-off between unity of command related to a dual structure and independent oversight related to separate roles of board chair. The interview data also indicate that the combined role of CEO-chair can also be beneficial from a stewardship perspective. For instance, the chair of CapitalHigh spoke about her previous appointment thus, “I devoted my whole life to the company.” The implication is that she considers herself to be a steward of the company, and as such, her combined role did not negatively affect the company’s interest. It could be that this only occurs in privatised firms.

The chair of CapitalLow expressed a similar way of thinking, adding, “It depends on the specific situation of the firm.” Several interviewees suggested conditions under which one or other structure would be better. In particular, many interviewees from CapitalHigh stressed that the suitability of the structure would depend on the size of the firm. A likely explanation for this is that these informants have experienced transition from the time when the company was small, until now when its size has greatly increased. Other conditions mentioned by interviewees as being appropriate for the establishment of an independent leadership structure include the ethics and capability of the person assuming the two roles, the stage of development of the firm, the ownership proportion of the chair and the history of the company. These explanations are consistent with the discussion in Chapter 6, which posits that the reason for the insignificant
associations observed is that these relationships are contingent on organisational factors. Interestingly, five out of six cases in the sample maintained an independent leadership structure. Only KnowledgeLow, a small firm, maintained the dual structure. Although it cannot be generalised to the wider population, it is a fact that privatised firms in Vietnam are increasingly tending to split the two top positions. However, the independent leadership structure appeared not to work well in most of the cases. For example, CapitalLow and LabourLow, whose leadership structure has been independent since privatisation, do not demonstrate a higher degree of entrepreneurship.

Taken together, the fieldwork analysis explained why independent leadership structure does not support the three dimensions of CE. On the one hand, CEO duality may result in CEO entrenchment and weak control. On the other, the dual role of CEO-chair can lead to more efficient in decision-making. In particular, as dual CEO-chairs in privatised firms tend to behave like stewards, they are less likely to shirk responsibility or make risk-averse decisions, as argued by agency theorists. Furthermore, the interviews show that the adoption of either structure (independent or dual) depends on the specific conditions of the company in question. The analysis supports the findings from survey study.

8.3.1.2. Representation of TMT Members

The findings from the analysis of survey data show that TMT board membership has no association with strategic renewal but has a negative relationship with business venturing. Contrary to these findings however, several respondents emphasised the importance of having a greater number of executive directors on the board. A range of views support a higher ratio of TMT board membership.

The interviewees contended that because the company executives were involved in operational activities on a daily basis, they had achieved an intimate understanding of the firm’s business. For instance, an executive director from KnowledgeLow argued, “The board members should be persons who are full-time employees. It is a fact that the outside directors are not good at strategic decision-making for the company—their contribution to strategy development is not practical.” Likewise, when asked whether executive members contribute more to the board, the executive director of LabourLow replied, “Yes. Whereas these executive directors engage in daily operations, the outside directors (who are usually away from headquarters) know nothing except for the financial statements.” In addition, an executive director of KnowledgeHigh stated: “When the top executives sit on the board, it is easier for them to propose innovative ideas.”
In particular, several executive directors expressed themselves wholeheartedly dedicated to the company’s growth. When asked: “What motivates you to try your best for the company, your salary or your investments at the company?” the CEO of CapitalHigh replied, “It is my love—a kind of culture; it is the emotional relationships with the workers of the company.” He contended that this kind of motivation is only present in privatised or state-owned firms. According to him, the behaviours and culture in privatised firms are entirely different from those in newly private firms. In particular, he emphasised his responsibility towards the company’s employees. He noted, “Between me and the employees there’s not merely the relationship of manager to subordinates—it has been friendship since we were all young and poor.” Similarly, when asked what motivated her to be innovative and creative, the CEO and board member of LabourHigh said, “If I am innovative, the employees’ salary will increase as the result of the firm’s innovation and they will be happy. Then I am happy.” These quotations indicate the applicability of Stewardship Theory, which holds that TMT board members are unlikely to act against the interests of shareholders.

Interestingly, despite the diversity of the background of the six case studies and their board structures, most interviewees agreed that executives were better positioned to ensure the implementation of the strategies happened quicker. An executive director of CapitalHigh commented, “The TMT board membership is highly advantageous, because [it means that] executive directors are in charge of different areas. When a plan is approved, all that remains is the implementation. Each executive just moves on to implement the strategy in accordance with the plan.” An executive from KnowledgeLow noted, “[Executives] can offer thoughtful feedback in the board’s meeting as they have more practical engagement.” In a similar vein, an executive director of LabourLow said, “The board of directors only meets once every month. If we, the top executives, have to wait for a month to ask the board for approval, it would be too late. If the executives are on the board, they can make certain types of decisions [on behalf of the board], or they just need to make a phone call.” The CEO of CapitalHigh also divulged that he himself had selected two executive directors to respond to board’s functional requirements. Several other short quotes from interviewees indicate that CEOs prefer to bring more their subordinates (i.e. top management) onto the board of directors in order to incorporate the functional activities around monitoring function.

Implicit in the interviews is the CEOs’ favour toward the presence of TMT members on the board. Importantly, these discussions reveal that although these executives are appointed to monitor over management on the functional areas, they seem to be more inclined towards protecting their functional department than monitoring and controlling management. This may explain why having more executive directors does not relate to a higher degree of
entrepreneurial activities. Indeed, most executive directors in the sample perceived themselves to be “executors” rather than “directors”. Consequently, despite being more knowledgeable about company business and having more opportunities to propose innovative ideas, executive directors are often unable to make effective contributions to long-term company strategy.

It also appears from the interviews that the executive board members tend not to fully execute their tasks of directorship. The CEO of CapitalHigh offered the explanation:

“Executive directors are actually subordinates of the CEO. So it is said that they direct and supervise the management but in reality, they are in a funk. They sit perfunctorily on the board. It seems that unless the board members have their actual own money invested in the company, the general manager will dismiss their subordinates if they do not obey [his or her] commands. It is the general manager who has real power.”

The CEO of CapitalHigh further insisted, “Because the executives are under the executing right of the CEO, when sitting on the board, although they are directors with the right to monitor the CEO, they are in fact seized with terror. They just sit on the board. That’s it.”

The above narratives indicate what has long existed in developed economies and which was argued by Stiles (2001): that because executives are under the management of the CEO, it is hard to contemplate that they will challenge or even monitor him or her. The situations happen in the TMT-dominant boards described, in fact, were explained in Managerial Hegemony Theory (Mace, 1971, Herman, 1981, Kosnik, 1987), which argues that a board with high presence of executives becomes de jure, as the CEO assumes the real responsibility of managing and controlling the company. According to this theory, the board is a ‘legal fiction’ despite maintaining formal governing power over management, and appears little more than a ‘rubber-stamp’ (Herman, 1981). The board which is dominated by corporate management is thus ineffective in mitigating problems of agency which may arise between shareholders and management.

Taken altogether, the present study suggests that the presence of TMT members on the board has both positive and negative aspects. On the one hand, TMT board members tend to be supportive because they have greater knowledge of the firm, have more opportunities to propose new ideas (given their attendance in board meetings), and can implement the board’s resolutions quickly. On the other hand, because TMT members are subordinates of the CEO they are less likely to monitor him or her. The greater the number of executives on the board, the less effective it becomes in providing oversight of the management. As such, case study data suggests an emerging view that two theories—stewardship and managerial hegemony—complement each other to provide a comprehensive understanding of this phenomenon. Indirectly, Agency Theory
does also matter, playing a useful role in elucidating the reasons for any non-positive relationship which may exist.

8.3.1.3. Representation of Independent Outside Directors

The qualitative data provides an opportunity to further explore the negative associations between the ratio of outside directors and CE. The quantitative analysis presented in Chapter 6 implies that efficiency abatement perspective helps to explain the negative relationship and Institutional Theory explain insignificant relationships. Institutional Theory is also employed to explain the findings. In what follows, I offer an elaborated view of the role of independent non-executive directors, with support from the case analysis.

Firstly, I review the representation of outside directors on the board in the cases of six firms. The most prominent cases are CapitalHigh and LabourHigh. CapitalHigh has one independent non-executive director who is a representative of a foreign fund manager company. LabourHigh has two independent non-executive directors: one is a representative of a state-owned textiles company; one is an individual investor who is vice-chair of a company which provides equipment for the textiles industry. In four cases, board governance seems to be ineffective. The boards of KnowledgeLow and CapitalLow are dominated by three affiliated outside directors; the boards of LabourLow and KnowledgeHigh are dominated by insiders and also have one affiliated outside director.

At CapitalHigh, most interviewees agreed on the necessity of having outside directors on the board. For example, the chair described the role of the outside director in helping enhance company transparency, and in providing the company with useful feedback, advice and counselling. She stated:

“I really want to have an outside director, as he/she could help to ensure transparency and provide critical feedback about the financial issues of the company…. if all the directors are insiders; it is only the chairperson who controls over the CEO. As all the other executive directors are under the CEO’s management, it is ineffective.”

This point was reiterated by the CEO of LabourLow: “If there’s no outsider, when the chairperson says anything, the insiders tend to agree. [On the other hand], if the company doesn’t perform well and outsiders are present, they provide feedback to improve the performance.” They also referred to an occasion when the independent director felt able to argue with the board and to offer a critical approach despite being in opposition to the board’s decision. Similarly, the CEO of CapitalLow, which has no independent non-executive directors on the board, said, “Actually, I’m always keen to have outsiders participating on the board. If we are all insiders, we can’t see our weaknesses.”
Referring to the role of outside directors in entrepreneurial activities, the chair of LabourHigh noted:

“There should be opposing feedback among the board members. Because I was general manager of the former SOE, whenever I say something the subordinates compromise with me easily. As a result, there’s no creativity.”

The indication is that many interviewee board members considered it essential to have outside directors on the board, appearing to favour the apparent objectivity they can bring, which they believed arose from their distance from the day-to-day activities of the firm.

On the other hand, outside directors have been observed to be less capable at exercising monitoring and controlling functions. The independent non-executive director at CapitalHigh, (who is considered to be a professional outside director) offered further insight: “Actually, we [independent directors] could not control and monitor management. How we could supervise them when the rest of the board are executives?” When asked about his role as controller at CapitalHigh, this director said: “In practice, I consider my role to be a counsellor or advisor rather than a controller. However, I am paid to protect the Fund’s interest so if I see something against our owners’ interest, I raise my voice.” The term “raise my voice” is revealing here. In principle, as board membership, the independent director can take strong action through approval rights (by vote) or can have the strong voice in the board’s meetings. However, the term “raises my voice” as well as the attitude toward his directorship reflects to certain extent the fact that the board of directors at CapitalHigh is relatively low-control.

To sum up, notwithstanding their recognised ability as supervisory counsellors, it appears from all interviews that independent directors in the context of privatised firms fail in their directorship role as monitors or controllers. The qualitative analysis reinforces the argument by Dharwadkar et al. (2000) that traditional agency solutions applied in the context of developed economies might not be effective in emerging economies.

With respect to arguments which support Resource Dependence Theory, many participants interviewed at CapitalHigh and LabourHigh gave examples of how independent outside directors can bring useful resources to their companies. The chair of CapitalHigh recalled:

“They organised conferences on investments and workshops on quality management and invited managers to participate. It was for free. They invited the investors to visit the company. They also provided the board with management advice. They advised us how to read financial statements effectively, how to manage cash-flow, etc…”
Consistent with this view, the chair of LabourHigh reasoned why his company invited the current outside directors to join the board:

"Firstly, as Mr A is the General Manager of Company A (a very big company), he has lots of experience in the textiles industry. Secondly, Mr B is vice chair of a company which provides the equipment for the whole industry. When we need different types of equipment, he can offer help. Sometimes we lack capital: we can buy it and pay later. Moreover, he also provides us with information on technological advances to the equipment."

Likewise, the CEO of LabourHigh added: “As Mr A is vice president of the Vietnam Textiles and Garments Association, a General Manager of Company A, and has many business relations with business partners in Ho Chi Minh city, he has considerable information. We usually exchange information: the more… we have the better.” In fact, the executive director of LabourHigh told me details about the support offered by Mr A. to help LabourHigh to learn how to improve productivity.

These quotes appear to show that having outside directors on the board is one of the most significant factors making CapitalHigh and LabourHigh more innovative and more likely to seize opportunities than other companies in the sample. As such, these arguments support Resource Dependence Theory. Yet an executive director of KnowledgeLow took the opposite view of the role of outside directors as resource providers: “Because they do not work at the company, they do not facilitate connections.” The executive director of LabourHigh commented: “We listen to them just for additional reference, but we can’t follow them. Sometimes they provide feedback based on their practice, but our business practice is different.” When asked how the independent directors contribute to the discussion in board meetings, an executive director of KnowledgeLow said, “They have their own analysis, but their analyses are not thoughtful; their arguments are not persuasive.”

A lack of knowledge or information about the company can be a serious problem for independent directors. In fact, without relevant information it is impossible for outside directors to seriously critique what management is doing or to support the long-term decisions it proposes. The CEO and the executive directors at KnowledgeLow also suggested that a lack of time and ability on the part of outside directors reduces their engagement in board activities. For instance, one commented: “Because he has his own business, he can’t spend time on this company.” This is a very common phenomenon in Vietnam, and means that independent outside directors tend to be insufficiently engaged in the focal firm.
The arguments of resource dependence theorists are thus seen to be applicable in Vietnam, but with limitations. It is evident that outside directors add value and bring resources to the firms in which they are involved. However, due the lack of time, ability and information, their contribution tends not to be significant. The indication is that additional independent non-executive directors would be a disadvantage.

As such, although outside directors are attributive to board effectiveness to certain extent, their role both as monitors and resource providers is slight. The qualitative evidence presented here supports the findings from the survey study which indicate no significant associations between outside ratio, business venturing and strategic renewal. Due to information asymmetry, outside directors may even be biased against long-term investments.

Consequently, while the government encourages the publicly-traded firms to adopt more independent directors, independent structure is not as much as beneficial as expected. Indeed, some informants demonstrated their objection towards the practice of listed firms tending to invite independent non-executive individuals onto the board. In particular, the chair of CapitalHigh commented, “The listed firms cope with the government’s policy mainly by inviting a sufficient ratio of outside directors [on to the board]. Instead of building a good board of directors, they… just to react to the government directive. Why are they obliged to cope with this policy? It’s the government who put firms in this position.” This was borne out by many of the respondents, who spoke about the tendency on the part of privatised firms to conform to the government requirement rather than focusing on improving the quality of the board. Institutional Theory thus far seems applicable when attempting to explain the insignificance of the relationship between outside ratio and CE.

8.3.1.4. Board Size

The analysis of the survey data indicates that size of the board of directors has a positive impact on innovation and strategic renewal. In contrast, the relationship between board size and business venturing was found to be negative. Consistent with the previous discussion, in-depth interviews with a small sample of firms show that a large board brings more resources to a firm but at the same time can lead to miscommunication among its members when faced with the need to make strategic decisions.

At the same time, qualitative data pertaining to the relationship between board size and CE is not strongly consistent with the survey findings. Although board size is positively related to innovation and strategic renewal, most of the respondents indicated their rejection of the notion of a large board.
The independent director of CapitalHigh said: “More people bring more knowledge, energy and expertise. But it can lead to confusion.” The CEO of LabourHigh also explained why she is happy for the current size of their board to remain the same: “Having more members on the board leads to a divergence of thinking. A small-sized board with experienced directors is better. A larger board with less-experienced members is deadly dangerous… We wouldn’t be able to decide on anything. It takes time to talk forward and backward.” These quotations indicate the potential for impaired communication and difficulty in coordination of a larger board, problems which are likely to become more cumbersome when a larger board is required to make risky decisions such as venture creation (as discussed in Chapter 6). Although the survey findings show board size to be positively related to innovation and strategic renewal, it has no association with business venturing.

The CEO of CapitalHigh was particularly against having a large board. He said, “With a small firm, there is no job for the board members to do,” emphasising this with the proverb: “Idle hands are the devil’s tools.” He continued: “I don’t know what they would do. Three or four people think about strategy? All they do is drink tea and get paid each month!” At KnowledgeLow, a small company in relation to its board of five directors, when the executive was asked, “What is the only thing that you would like change for the board to make it more effective?”, he replied, “With a small-sized firm like ours, the board should have only three members, not five.” He believed that this reduced number would grant the board greater flexibility.

To summarise, interview data is unable to provide a sufficient explanation of in how board size relates to innovation and strategic renewal. Probably, despite not being explicitly recognised by board members interviewed, resources by individual members actually feed into the aggregate resources of the board, leading to greater resources in the firms. As discussed in Chapter 6, when there are more directors serving on a board, they are better at co-opting important external organisations and obtaining more linkages and resources, as suggested by Resource Dependence Theory.

8.3.2. Ownership Structure and Corporate Entrepreneurship

8.3.2.1. Managerial Ownership

Analysis of the quantitative data showed that managerial ownership is slightly negatively associated to innovation. No significant relationships between managerial ownership and the other two dimensions of CE (business venturing and strategic renewal) were found. The case analysis found evidence of the mutual roles of two theories (Agency and Stewardship) and the need for Behaviour Theory to explain the effect of managerial ownership on CE.
I first provide the responses which indicate a positive attitude to managerial ownership, which supports conventional Agency Theory. This issue could be seen from the view of the CEO. Firstly, when asked how they think about their shareholdings in the company, aside from the CEO of KnowledgeLow (whose shares in the company are substantial) and the CEO of CapitalLow (who seems to not really care about ownership), four CEOs consider their shareholding in their company to be low or very low. The CEO of LabourLow referred to this quote from the independent director:

“You have to buy many more shares. You need to own about 10-20 per cent so that you feel pain when you manage the company. Otherwise, you shouldn’t be there. It doesn’t make sense to assign you to as CEO—gain or loss is the same for you.”

The general view is that a small proportion of ownership may give rise to negative incentives, preventing managers from making investment decisions which are in shareholders’ interest. One executive was asked, “If the return from investment comes in the very long-term, let’s say, in next five years, is it true that there is no conflict of interest between you and investors?” and replied, “It would be wrong if I said no. It is quite human to be self-interested. Managers may exert insufficient effort… Of course, I feel comfortable at present with the low shareholding but some day in the future I might rethink.”

On the other hand, many interviewees argued that their shareholdings had little relevance or had much influence over how they behaved. It is important to note that the six CEOs interviewed in this study were all former executives of state-owned enterprises and have worked for their companies since the start of their career. The CEO of KnowledgeHigh explained why, in spite of holding a small proportion ownership, he made every effort to improve company performance. He said,

“Actually, as I have worked here since I graduated from university, I have a strong attachment to this company. I think at least about 100 out of 450 employees working for the company have a similar way of thinking. The only difference is that I am assigned to be general manager. My philosophy is that I should try the best for myself and the ‘brothers and sisters’ in the company.”

This use of the term ‘brothers and the sisters’ to refer to employees indicated this CEO’s close relationship with his colleagues. He added, “Often, I carry out work which is in the interests of my employees rather than for me.” In sum, managerial incentives arrived at via ownership do not necessarily operate within the apparatus of privatised firms where the behaviour of the managers is collective. It appears that stewardship culture exist prevalently in privatised firms, especially in
those state ownership remains high. The executives tend to retain the tradition and ideology that preceded the privatisation.

Further exploration of the CEO view of low-performance may provide additional insight. One of the most productive interviews was with CEO of CapitalLow. She said with emotion, “I feel like I work with full responsibility for the company, or something even deeper: I feel like it represents my responsibility to this society. I have no pressure from the shareholders.” In particular, she voiced appreciation for the contribution and emotional commitment of those who have worked at CapitalLow for years, taking the view that they work enthusiastically without thinking of personal benefit. She added, “The leaders of our company do not make their own interest the first priority. The interest is everybody’s.” Not only CEOs, but also many executives said that they pay little attention to their capital shares in the company. One commented, “I consider this company to be mine. This is different from the thinking of those who work in a newly privatised company.” Indeed, this view was fairly prevalent in those privatised firms which appeared less entrepreneurial, such as CapitalLow, KnowledgeLow and LabourLow. Most of the executives interviewed did not pay as much attention to satisfying their shareholders as to their employees’ income and employment security. This raises a special conflict which may happen between agent and principal in the context of privatised firms. However, in five out of the six case studies, the CEO insisted that they put all of their efforts into the growth of their company. The data is consistent with the argument that a stewardship orientation tends to lead a company to emphasise long-term rather than short-term objectives (Davis et al., 1997b). What is notable, and which was commented on by both the CEO and the chair of CapitalLow, is that this ideology was not found in the young and future managers. The indication is that stewardship culture is likely to change over the organisation’s cycle. Indeed, the chair of KnowledgeHigh commented: “Potentially, the situation will be totally different in the future. This is because when competition is getting fiercer, managers should have more incentives to pursue risky entrepreneurial opportunities…So if the state sells its shares, it should be the executives who have more priority of buy shares.” Collectively, in the transitional context from SOEs to public or private entity, tradition and culture preceding privatisation that remains makes principal-agent relationship become very complex. More specifically, agents, on the one hand, consider themselves to be the firms’ stewards, striving for the firms’ growth, and on the other hand, put the interests of other stakeholders including employees, ahead of shareholders’ interest.

Furthermore, beyond expectations, the research interviews revealed additional insights into these relationships. Not only are executives compelled by intrinsic motivation to work for the sake of their company shareholders, but also employment risks and reputation costs encourage them to try their best for the shareholders. For instance, the CEO of LabourLow emphasised the
likelihood of being dismissed if the company underperforms. He was less likely to mention his attachment to the company. Instead, he expressed the view that his largest shareholder, Vinatex, was very strict:

“I give you an example. If last year there was no dividend for shareholders and this year there isn’t either, they will work this out immediately. If the company operates under normal conditions but I make a loss in two subsequent years, they will be ready to replace the general manager.”

Similarly, the CEO of CapitalHigh commented:

“If you are general manager but don’t make profits for your shareholders, unless you are the owner, otherwise, you will be dismissed immediately. So you have to try your best. If you are shareholder, you must be even more worried.”

In another case, the CEO of LabourLow offered his rationale for his behaviour vis-à-vis shareholder interests:

“We mainly work as executives; we make a living by the salary. If we don’t accomplish our tasks, we’ll be dismissed. So we have to try our best.”

The indication here is that the executives put greater priority to their job security than the benefits accrued from their ownership. It is the career security that makes them take efforts in satisfying the shareholders. The chair of LabourHigh also commented about the attitude and responsibility of the CEO, “In addition to the general conditions, there is the matter of self-respect. Mrs D has to think about our future in next 50 years.” Other interviews in this study provide evidence of the notion of self-respect which shapes the behaviours and risk propensity of the executives interviewed. Indeed, it is understandable that in the Asian culture and society where a sense of collectivism is strong and individuals are embedded within a network of relationships, the managers tend to be more concerned about their reputation rather than the monetary return.

In summary, the qualitative data offer interesting insights into executive ownership. Firstly, although Agency Theory offers little insight into the behaviours of managers in Vietnamese privatised firms, it should not be neglected in explaining the above phenomena. Managerial ownership still plays a certain role as an incentive mechanism in the context of privatised firms in Vietnam. However, the managers interviewed tend to pay more attention to employment risks and reputation costs than to potential monetary benefits from stockholdings. Secondly, Stewardship Theory provides an effective explanation as to why managerial ownership appears to have almost no influence on risky, long-term investments. Thirdly, in addition to Stewardship
Theory, Stakeholder Theory is helpful in explaining the findings in the Vietnam context where agents put high priority for the interests of a firm’s employees. Notably, the interviews yield an important implication: namely, that when privatised firms move towards a more market-based environment, the tenets of Agency Theory may become increasingly important and the views of Stewardship Theory may diminish.

8.3.2.2. Institutional Ownership

The quantitative analysis presented in Chapter 6 shows that institutional ownership in the companies surveyed had almost no association with the three dimensions of CE. Chapter 6 also discussed several possible explanations for this relationship. The interviews confirmed many of earlier explanations. In only three cases (KnowledgeHigh, LabourHigh and CapitalLow) were institutional investors involved in the ownership of company shares, despite their stock holding is small and they do not participate in the board of directors.

At KnowledgeHigh, about 17 per cent of shares are held by institutional investors. There are similarities in the views of the chairperson and two executive directors regarding the influence exerted by these investors. In general, their role in the company is minor in the firms they invest. One of executive directors described it thus, “Some institutional investors operate in the construction sector, providing the materials for building sector. As we are a consulting company, their investment in our company is very small in relation to their capital.” His view was that because KnowledgeHigh is a small firm, these investors pay little attention to the company’s business activities. Similarly, the chair of KnowledgeHigh stated, “Their role is only acknowledged at shareholders’ meetings. However, they are very passive. They usually agree to whatever I say.”

When asked whether the institutional investors give critical feedback on the company’s weaknesses, he replied, “Rarely, very rarely. They don’t have any knowledge of our specific sector. And they think that the company’s making profits and being able to pay dividends to shareholders is sufficient. While many other companies have faced bankruptcy during the recent recession, it’s good that we’re still surviving.” In addition, one executive director of KnowledgeHigh explained that institutional investors used to buy company shares because they mistakenly thought that the land on which the company was built was company property. This situation is a prominent fact during privatisation that many investors buy shares in order to obtain the surplus from the undervalued assets, rather than considering it to be a kind of investment in itself. Institutional investors often sell out and purchase more favourable stocks whenever possible. Those investors therefore support short-term investments rather than risky-long-term ones. These responses reinforce the above evidence that supports efficiency abatement perspective.
At CapitalLow, two institutional investors together owned 17 per cent of shares. Both were domestic investment companies; one possessed 12 per cent of the capital shares, giving them the right to participate on the board of directors, and thus enabling them to exert influence over the company. Although these investors were invited to join the board several times, they refused. Surprisingly, whereas most insiders in the privatised firms studied tend to prevent the participation of the outsiders, the directors at CapitalLow expressed their desire to have at least one representative of institutional investors in the board. According to one interviewee’s explanation, the reason the institutional investors do not want to participate in the board is probably because their investment at CapitalLow is small in relation to their total fund. The chairperson showed his enthusiasm at having the institutional investor on the board: “Since we have employed the accumulative voting regulation, we could assure one seat for them on the board. I supported their presence on the board. But they don’t want to!” He explained that there are two kinds of institutional investors. The first type has dominant ownership and wants to be on the board to control and monitor management. The second type has only a small shareholding and expects only a return on its investment. Usually, the second type of investors does not want to get involved in the board’s activities. When asked to discuss the pressure that institutional investors put on the management board, the CEO said, “They sometimes have questions… but they have little concern… They asked me why not do this, not to do that.” Yet, these investors, according to this CEO, put no pressure on her. Probably, the quality of institutional investors does matter in this context. It could be because the market is in its infancy and the majority of institutional investors are not sophisticated and professional ones. Again, these fieldwork data supports the view that institutional investors are passive and myopic in the context of Vietnamese privatised firms.

As such, the analysis shows evidence inconsistent with common understanding that institutional investors can help to reduce information asymmetry and protect the rights of minority investors in the long-term decisions of publicly traded companies. The qualitative findings confirm the previous results from the survey.

8.3.2.3. Ownership Concentration

The findings from the survey show no relationship between ownership concentration and CE. In other words, highly concentrated ownership is not supportive for long-term investments. This section explains the reasons behind these unexpected findings using the interview data.

Across the sample, no clear pattern of ownership concentration was found (Table 30). In the capital-intensive group, the ownership concentration of CapitalHigh is higher and predominantly owned by the state and foreign investors, whereas the ownership concentration of CapitalLow is
lower and dominated by the state and institutional domestic investors. In the knowledge-intensive group, ownership concentration by KnowledgeHigh is slightly low and dominated by the state and institutional investors, whereas KnowledgeLow’s is higher and dominated by individual investors. Finally, in the labour-intensive group, LabourHigh has a low ownership concentration with institutional investors being the largest investors. LabourLow is typical of many privatised firms, in that ownership concentration is high with the state as the largest shareholder.

**Table 30: Ownership Concentration of the Cases in the Sample (three-year average)**

<table>
<thead>
<tr>
<th></th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital-intensive</td>
<td>48.51</td>
<td>71.04</td>
</tr>
<tr>
<td>Knowledge-intensive</td>
<td>86.00</td>
<td>75.78</td>
</tr>
<tr>
<td>Labour-intensive</td>
<td>52.20</td>
<td>26.30</td>
</tr>
</tbody>
</table>

Observation of the case comparison did not provide any clear evidence of why ownership concentration has no association with long-term projects. However, the narrative accounts may provide some insight and allow a partial explanation of the earlier findings.

The discussion in Chapter 6 proposed that the two contrasting perspectives of Principal-Agent (PA) and Principal-Principal (PP) complement each other. The qualitative data provides evidence of both positive and negative impact of concentrated ownership, supporting the explanation presumed in discussion section of Chapter 6.

From a PA agency perspective, the interviews demonstrated the problems of free-riding occasioned by dispersed ownership where the minority shareholders have insufficient incentive to pay attention to company’s long-term investments. The CEO of CapitalHigh commented: “Concentrated ownership is often advantageous. It assures that the some shareholders have substantial stake to be actively involved in the strategic decisions.” In the same vein, at LabourHigh, which has no state ownership and whose largest shareholdings are distributed relatively equally among the largest investors, it appears that the largest shareholders play a monitoring role and are fairly actively involved in the firms’ long-term decisions. This evidence supports PA Agency Theory to certain extent.

On the other hand, the interviews show that controlling shareholders may collude or tacitly consent with the affiliated managers of privatised firms to expropriate the wealth of the firm to the detriment of minority shareholders. In cases the controlling shareholder is the state, a coalition might occur between the representatives of the state ownership and the executives. This situation was most keenly observed at LabourLow, where an executive reported:
“The board of directors and management board have created new ventures in which they invest their own money in order to respond to their own benefits. They transfer the benefits from LabourLow to their own companies. Very blatant! Recently, they created a venture which provides thread to this company. Most of the suppliers of LabourLow are in fact companies created by the board members and the managers. They set up their businesses in transport and packaging [merely] in order to become this company’s suppliers … As they are powerful directors, they can force LabourLow to buy materials from their own companies.”

The executive continued talking about an executive director:

“When LabourLow has new orders, he will transfer these orders to his own company… Many of them! So you shouldn’t say they work for the shareholders… There’s something strange about LabourLow. For example, a traditional customer of LabourLow who has been working with us for a long time now becomes the customer of Company X [a privately-owned company of an independent non-executive director]. The reality is not that nice!”

This situation is quite popular in Vietnam’s textiles and garments industry, whereby the representatives of state shareholders and managers collude in order to take resources away from the focal firms and obtain benefits for their own, especially in those firms the state is dominant shareholder. This also raises a very unique agency problem in Vietnam privatised firms where the conflicts exist not only between the large shareholders and minority shareholders but also between the representatives of state investor and shareholders. As such, it is necessary to examine the effect of state ownership as a moderating variable on the relationships between governance, ownership and CE.

Furthermore, it is of note that most of directors at LabourLow hold small amount of stocks. However, as three out of five are representatives for the state capital at LabourLow, they have de facto power, which enable them to expropriate minority shareholders through tunnelling behaviours. In fact, the directors, who are representatives for the state shares collude with each other to create new subsidiaries in order to maximise their own profit. This phenomenon is actually common in transition economies, as discovered by Babic (2003). In addition, since small shareholders in privatised firms tend to be less likely to use their statutory rights to form a quorum (GTZ-CIEM-UNDP, 2004) and to exercise their voting rights, the state as the largest shareholder may have more opportunity to make decisions which respond to the government’s objectives or favour the interests of the representatives.
Furthermore, collusion between large individual investors and small investors was evident in KnowledgeLow. One executive director at KnowledgeLow commented,

“There are usually some dominant investors on the board of directors. In general, they try to foster the company’s performance. However, they are likely to have some personal designs. As far as I know from KnowledgeLow and other companies, the interest between those dominant investors and the whole company is not congruent. As a consequence, the development process of the company would not be smooth.”

Interestingly, the CEO Director of this company added,

“When the dominant shareholders want to have power, it spoils the role of board. The board of directors turns out to be a puppet; they are not the real representatives of the minority shareholders any more. They use their power to make the decisions which are beneficial for them.”

More seriously, given the weak legislative system and lack of transparency in information disclosure, there are more opportunities for dominant shareholders to affiliate with managers to exploit minority shareholders by tunnelling the resources out of the corporation. There is a practice in privatised firms in Vietnam that insiders with more access to inside information and more power tend to infringe upon the interests of the firm and their shareholders. Consequently, managers under the support of large shareholders may focus more on “tunnelling” the firm’s resource and divert the firm from entrepreneurial activities, which may be less beneficial for them.

To conclude, concentrated ownership is both advantageous and disadvantageous. The interview data provided interesting evidence to support perspectives, PA and PP perspectives, suggesting employing both perspectives in explaining the phenomenon of ownership concentration in privatised firms in Vietnam.

8.3.3. Board Monitoring

Monitoring includes activities the board tracks and evaluates the behaviours of executives, their outcomes and performance. The survey found that board monitoring had no significant impact on innovation and business venturing in the firms studied, whereas it had positive influence on strategic renewal. It is extremely difficult to elucidate the effects of this factor on the different dimensions of CE through the use of case studies. However, the interviews may offer some further insights into board monitoring.

At CapitalHigh, as this company is listed on the stock exchange, the monitoring activities of the board over the CEO were disclosed publicly. The CEO was therefore subject to formal
evaluation, and the board, with an independent chair and independent outside director, tended to monitor the CEO’s decisions closely. In a similar vein, the CEO of LabourLow provided confirmation of the role of monitoring of management:

“Every six months the board of directors has a meeting to evaluate the management. If you are good, you continue, if not, “We will consider. We will report on the management’s effectiveness and capacity at the annual shareholders’ meeting.””

Indeed, the combination of interviews and archival data at LabourLow shows that, given the enhanced monitoring system adopted by the new board in the three years under investigation, the CEO seems to be under greater pressure to pursue more venturing activities and organisational restructuring. Although through interviews, it is impossible to evaluate to what extent board monitoring influences CEO, the above quotation offers evidence that monitoring is essential for and supportive of long-term decisions.

In contrast, several interviewees expressed their favour towards the collaboration between the board and the CEO; the qualitative data shows that they considered a harmonious working relationship very important. For example, the CEO of LabourHigh stated:

“The board of directors usually understands the projects I’ve proposed… They support all the projects and plans I propose… The whole board trusts me, assigns the duties to me, and even guides me how to implement the plans. We work together with that spirit.”

This CEO recalled stories about their close relationship since outside members began to invest in the company, “I asked him to be a company investor, then he invested his money immediately.” She expressed this close relationship through the short phrase, “Clearly, we are like family. We work together and understand each other.” It appears that the CEO is confident in her role because of the strong relationship between her and the board members. Similarly, at KnowledgeHigh, the CEO had a good relationship with board members. He said,

“In general, we do not have any problems (i.e. conflicts). As I have done only good things for the firm, [the board] always supports me. At this company, the board of directors is unanimous on every issue.”

He also described the relationship between himself and the chair:

“If something happens, we solve the problem based on our common goals. Between me and the chairperson, there is no problem. If any problems arise, we discuss [them] freely.”
The CEO often appeared to receive encouragement and advice from the chairperson; other respondents from this company had similar comments about their relationship and expressed the belief that the CEO—board relationship was very strong. On being asked about the importance of the collaboration between the CEO and the board members, the chair said, “It’s always crucial. The harmony in the relationships between one person and another makes things easier when working together.” In fact, the strength and significance of the collaboration between the CEO and board members was well-acknowledged by every member interviewed in the three cases with a greater degree of CE.

Overall, the data indicates that board monitoring was important to company strategy to certain extent, yet collaboration between the CEO and the board was more crucial in the facilitation of risky and long-term decisions. In particular, as it was common for many board members and CEOs to have come from the same former state-owned enterprise, the collaboration and mutual trust between them was even more significant. While innovation strategy requires a high level of intra-firm integration (Lawrence and Lorsch, 1967) and business venturing related to risky investment requires a the cooperative behaviour through trust (Mayer et al., 1995), monitoring behaviours may hamper the relationship between them. Arguably, the reduced trust resulted from monitoring activities may be trade-off against the effectiveness of the monitoring function itself. Consequently, board monitoring makes no impact on the innovation and venture creation.

8.4 Emerging Themes from Case Study Analysis

This section illustrates the new themes emerging from the case study analysis. In addition to the eight factors mentioned earlier, the fieldwork suggested some potential antecedents of CE.

8.4.1. CEO versus Board Power

According to Vietnam’s corporate law, the company CEO or chairperson is permitted to be the legal representative of the company. In practice, in the majority of companies in Vietnam, the CEO assumes this responsibility. As a result, he or she has substantial power and may also experience conflict with the board of directors or the company chairperson. Incidents related by the chair of CapitalHigh (but not permitted to be quoted here), and the interview with the CEO, reflected the existence of conflict between them. Indeed, the CEO himself noted,

“Actually, it is the CEO who is the company’s legal representative. If something goes wrong, he has to take all the responsibility. It’s not the board of directors.”

The CEO of CapitalLow also explained:
“According to the current practice, the chairperson is just the supervisor. He is the only one of the members who has the right to vote on strategic issues in board meetings. At the general meetings of shareholders, his voting rights are only based on the number of shares he owns. So his function is to direct the long-term issues; he’s also the coordinator between shareholders and management. His formal power is not as much as that of the CEO… Because the CEOs ultimately decide on daily operations and certain types of investments, they have more power. The real power belongs to the CEOs.”

As discussed in Chapter 2, although CEOs are selected by the shareholders’ meeting according to company law, they are usually appointed by the controlling shareholder which is typically the state. The CEO is therefore an agent of the controlling shareholders. In addition, because the majority of controlling shareholders in a privatised firm is represented by the state (who is not the de facto owner), these CEOs therefore obtain de facto power, which gives them the opportunity to abuse their power. In addition, as described above in the TMT membership section, due to limitations of the board in their controlling and monitoring functions, according to Managerial Hegemony Theory the CEO may dominate the board and become entrenched. As Stiles (2001) noted, the CEO may have a high degree of structural power, which arises from his/her position in the organisational hierarchy. In particular, as shown earlier, it seems that the CEO is more powerful when they also assume the positions of chairperson and Chief Secretary of the Communist Party, and when the ratio of TMT membership is high. In fact, these results are to some extent consistent with findings by Westphal and Zajac (1995). Furthermore, Morck et al. (1988) argued that top executives may become entrenched by virtue of their long tenure or personal charisma, in spite of their small ownership relative to the board’s. As already noted, this is typical in Vietnam’s privatised firms where most of the CEOs are the managers of former state-owned enterprises. The unavoidable results include managerial entrenchment, which may prevent the management from engaging in long-term investments.

8.4.2. Non-ownership Directors

KnowledgeLow was a typical case, having one non-ownership director on the board of directors. One executive director of KnowledgeLow explained the ineffectiveness of having an independent director:

“If the directors have no shares or only a few shares, obviously they can’t exert all of their efforts for the company. They have very little incentive to engage in the daily operation of the company.”

Interestingly, this non-ownership director himself disagreed with his presence on the board. He explained that because he has no shares, he has no concern about the growth of the company.
For him, the income from directorship job is almost negligible, and provides insufficient incentive for him to be involved in the board’s activities. Also, the independent director at CapitalHigh commented on the role of non-ownership directors:

“I have never seen any successful cases with more independent directors. Very simple! If they’re competent, they can make money somewhere else. The income from the board of directors is so little that their engagement and commitment are very limited.”

This is reminiscent of the view of the chairperson:

“They have responsibilities in monitoring and control but they receive no return. The root of every issue is the benefit. If they have no benefit, they won’t work. Meanwhile, the remuneration paid to board members is so little. Their responsibility is thus very superficial.”

This finding is significant because of its suggestion that board members should own a certain proportion of shares to incur a feeling of regret if their investments are not rewarded. This would ensure they had sufficient inclination to engage with other directors in long-term decision-making. It is worth noting that due to the weak market for corporate control where the non-ownership mechanism such as the threat of exercising of control is absent, and due to inefficient compensation mechanisms for directors in the context of Vietnam, it is difficult for independent directors to assume directorship responsibilities, in contrast to their counterparts in developed markets.

Furthermore, there are a number of cases in this sample where although the independent directors hold significant stakes they are not actively involved in the board’s activities. The interviews indicated that these directors have large capital invested in other companies, and that this may take up more of their attention, leaving them with insufficient time to contribute to the focal firm. For example, the executive director of LabourLow noted,

“The outside director owns many large manufacturing plants. He may invest in this company only for long-term plan. Actually, he engages very little.”

### 8.4.3. Board Ownership

The qualitative data provides belief that board ownership, which is the percentage of total shares held by the firm’s directors, is a pivotal mechanism in corporate control issues. This finding is consistent with the agency theorists’ argument which states that board members’ shareholdings may help to align their interest with that of shareholders’ and ensure effective monitoring (Jensen, 1993). Nonetheless, the analysis of this study suggests that board ownership should not include state ownership which the directors are appointed representatives of. The interviewees
emphasised that only when their real money is involved do they feel the pain of potential company losses and look for long-term income from their investments. The CEO of CapitalHigh argued:

“The board of directors includes shareholders and representatives of the shareholders. If board members have no or few shares, they will have no voice on the board. Their responsibility is to make decisions on corporate strategy, but if it’s not their money, their responsibility will be limited. The less responsibility they have, the less worried about the business they are. It is very obvious.”

This view concurs with the thinking of the CEO of CapitalLow. She said,

“Unless the board members are representatives of the state, they will have some power; otherwise, if they have no ownership, then the CEO will be more powerful.”

The chair of KnowledgeHigh also said,

“Our board members are representatives of the state, but they personally hold very few stakes. Their thinking is therefore not like the thinking of the owners. I have tried to change the situation so that these directors have more ownership.”

In general, this view was strongly supported by most of the interviewees. The following interview with the chair of LabourLow illustrated the influencing factor of board membership.

“Q: Who seems to be the best at being a representative for the shareholders?
A: Surely, it is the person who has the most real capital shares.
Q: Real capital? You meant Mr D?
A: Yes.
Q: Is he the person who feels most worried about his money?
A: It is not entirely certain—-but it is their real capital. He lives with their capital. If they find out that the costs are too high, they’ll ask the management. The management board has to report and answer. He’s always concerns about the company’s business.

A: I confirm that the board members without capital do not feel the pain of loss. This is so for anyone, anywhere, any company.”

Although the directors, as argued by Fama and Jensen (1983, p. 315), had the incentive to protect their own reputations as “decision control experts,” equity ownership is a basic incentive designed to ensure that they have the same interests as other shareholders. On the other hand, although some research in the developed economies found that monitoring was not affected by
board ownership (e.g., Weisbach, 1988), these findings may not hold in the context of transition economies, as discussed earlier. The board members need to hold sufficient stakes to maintain the power over management and have sufficient incentive to pursue the risky long-term investments.

8.4.4. Affiliated Outside Directors

The cases of two firms, KnowledgeHigh and CapitalLow where outside directors are from affiliated companies contributed significant material to this study. Although these two cases shared similarities in terms of identity of outsiders, the interviews showed their involvement to be different. At KnowledgeHigh, the affiliated outside director is a representative of the parent company. In this case, the involvement of a director is limited. An executive director commented, “Because he works in Hanoi, he knows almost nothing about our business. He only voices his opinions at the board’s meeting.” When I asked the executive director whether the outside director brought any innovative ideas or market information to the company, he exclaimed, “No!” Another executive director shared a similar view: “He comes to the meetings mainly to know the business situation.”

On the other hand, the affiliated directors at CapitalLow are much more likely to engage in the company’s strategic decision-making. However, the overall indication is that these directors consider themselves to be government staffs who have worked for the parent firm since they started their career. Their involvement at CapitalLow is just part of their responsibility. As the performance of parent firm largely depends on CapitalLow’s performance, the directors of CapitalLow (also the executives of its parent firm) tend to strive for the success of CapitalLow. The argument explains why the affiliated directors of CapitalLow tend to engage more in the board’s activities than affiliated director of KnowledgeHigh. Nonetheless, it is of note that these directors are less likely to take risk and expose to long-term investments in order to avoid any potential employment risks.

In general, as the affiliated directors had certain administrative relationships with management, it was difficult for them to enforce an effective mechanism of governance. Furthermore, as most of the affiliated directors were representatives of the state and government bureaucrats, they were unlikely to play an influential role in the making of long-term decisions. Interestingly, these findings are inconsistent with Peng’s (2004) study of outside directors in China, a similar transition economy. Peng (2004) distinguished affiliated and non-affiliated outside directors and found that affiliated directors have impacted on sales growth while non-affiliated have not. Presumably, whereas the majority of affiliated outside directors in China are representatives of affiliated partners (such as suppliers, customers), in Vietnam, most affiliated outside directors are
representatives of state controlling agencies. As such, it is essential to investigate the influence of affiliated directors on CE in Vietnam.

8.4.5. Take-over by Institutional Owners

It is critical to further examine some of the issues raised during the interviews which relate to those institutional investors who had controlling voting rights in the privatised firms. These stories were told repeatedly by participants from LabourHigh, which had faced the risk of being taken over and been challenged by it. Interestingly, all the interviewees told me about their experience when one institutional investor tried to buy back shares and wanted to take over the company. The chairperson said,

“This investor took over Hue Textiles Joint Venture Corporation. Within ten days they changed the general director, vice managers—no managers or directors of the previous company is still working.”

Commenting on this, one executive said, “If they take over the company, they will change the company’s business sector or change the company’s strategy. Who knows?”

In commenting on why having the institutional investor in the same industry is not favourable, the chair of CapitalHigh stated:

“If a large pharmacy company bought back our company, it would make this company better but only if they do not take over…We don’t want that. We want to get together to grow and to get the most benefits. It would be not that you buy in and you dominate us… We have therefore to choose the strategic investors so that we’re still able to maintain our core values and intangible assets and that they won’t change the company’s strategy into another direction.”

That these insiders expressed a strong fear of being taken over explains why institutional investors have a small ownership ratio in privatised firms. The insiders tended to protect their company from being taken over, and thus did not allow institutional investors to buy significant amounts of shares. Institutional investors possessed few shares and played almost no role in the privatised firm. From a broader perspective, it is likely that this current trend will prevent firms from implementing change which is beneficial for long-term development and success. This reveals the necessity to develop an active takeover market which can be an effective external corporate governance mechanism. In turn, for a takeover market to be effective, it requires a well-developed legal system and law enforcement to be well established.
8.5 Comparative Case study Discussion

As corporate governance is very industry-specific, it is worthy to analyse two cases in each group comparatively.

8.5.1. High/low Capital-intensive Cases

Looking into the two firms in the pharmaceutical sector, we found that CapitalHigh and CapitalLow were significantly different in all three factor groups—board governance, ownership structure and board monitoring. While the board of CapitalHigh was more independent (with one independent outside director), CapitalLow presented a cooperative mechanism, employing three affiliated directors from the parent company. As this is an industry that changes continuously and required the companies involved to be dramatically innovative in order to be competitive in the market, the participation of outside directors might potentially bring about the critical resources the company needs. The board of directors where the majority are insiders is less likely to provide incentives and resources for the firm to innovate. On the other hand, although there are historical reasons for the connection between the parent company and the subsidiary CapitalLow, having three representatives of the parent firm on the board unavoidably leads to the conservative thinking which are strongly embedded in the people who have long worked in former SOEs.

Secondly, whereas CapitalHigh is characterised by high ownership by foreign funds, CapitalLow has some domestic funds among the top largest shareholders, but with low proportion of shareholdings. From the interviews, it can be seen that although foreign funds have a short investment horizon as conventional thought, the high proportion of ownership may still encourage them to support long-term choices. Meanwhile, domestic funds who own small stakes tend to have insufficient incentive to be involved in the board’s activities.

Thirdly, management stockholdings at CapitalHigh is remarkably higher than at CapitalLow in terms of capital value. Although in both firms the executives expressed their emotional attachment to and alliance with their firm (this can be is explained by Stewardship Theory), the higher ownership of managers provides them with more incentives to foster long-term investments.

Finally, the board at CapitalHigh maintained control over the CEO more closely than at CapitalLow. This is because of it being a public company. It appears that the strict monitoring in place at CapitalHigh may have encouraged the CEO to work more closely with the interest of shareholders in mind. The management board appeared to be under great pressure to look for
new ideas and opportunities. Meanwhile, the less formal evaluation at CapitalLow prevented the CEO from pursuing more challenging opportunities.

8.5.2. High/low Knowledge-intensive Cases

As mentioned earlier, these two firms were not distinctively different in terms of CE. However, there were some striking issues worthy of discussion. Of the three groups of privatised firms, the industry factor mattered significantly to this group. The participants at both firms provided confirmation that in the knowledge-intensive industries, outside investors should be either institutions or individuals working in the same sector, and who have expertise and knowledge of it. Indeed, with high ownership on the part of an individual investor from outside with no expertise in the sector, KnowledgeLow gained no benefits when the investor sat on the board. At KnowledgeHigh, outside investors who are also institutional investors did not add value to company long-term strategy. Their capital invested in the focal firm in comparison with their total capital invested in all other corporations was so small at both firms that neither had sufficient incentive to participate in board decision-making and contribute to company’s growth. In regard to the leadership structure, KnowledgeHigh maintained a separate structure, whereas KnowledgeLow joined the two roles of chairperson and CEO. The comparison of these two cases reinforced the analysis and findings presented earlier. Given the independent leadership structure, KnowledgeHigh was more effective in regard to board monitoring. However, it was not entirely independent as the relationship between the board members and CEO was considerably close. On the other hand, the CEO-chair at KnowledgeLow appeared very flexible in decision-making. Notwithstanding the low degree of independence, as the CEO-chair acted like a steward and was the dominant investor, by no means would she have behaved to the detriment of the company’s long-term value. Furthermore, the practice at these two companies showed that neither affiliated directors nor independent non-executive directors worked effectively on their respective boards. In the case of KnowledgeHigh, as the affiliated directors were representative of the controlling agencies, they were less likely to engage effectively in the board’s activities. In the case of KnowledgeLow, the affiliated directors were former employees owning few capital shares, their power and incentive was insufficient for them to play their role as control experts.

Finally, the degree to which ownership is concentrated is only slightly different between two cases. However, whereas KnowledgeHigh is concentrated by the state, KnowledgeLow is concentrated by a group of individuals. According to conventional wisdom, where ownership is dominated by the state, it tends to exert a negative influence on entrepreneurial activities. However, as one chairperson said in the interview, as operation of the knowledge-intensive industry is simple and requires only a modest amount of capital, highly concentrated ownership by the state does not really matter and the effect of state investor on long-term decisions is
negligible. On the other hand, highly concentrated ownership on the part of individuals might have resulted in a propensity of large shareholders to avoid risks related to entrepreneurial decisions.

8.5.3. High/low Labour-intensive Cases

The textiles and garments industry is typified by the connections between the industry players. Vinatex, the state-owned Vietnam National Textiles and Garments Group and the country’s leading textiles and garments producer, had a large number of subsidiaries which included state-owned enterprises and privatised firms.

The analysis of the governance and ownership and the interviews conducted in two firms revealed significant differences between highly entrepreneurial and less entrepreneurial companies. Two cases showed that despite connections with Vinatex, they differed considerably with respect to the way and degree the state engaged in these privatised firms. On one hand, at LabourLow, although the state was not the controlling investor, it was the largest investor. On the other hand, at LabourHigh, the state had small proportion of ownership, through a state-owned enterprise belonging to Vinatex. As a result, with significant stakes at LabourLow, the principal-principal conflicts emerged from the coalition between the largest investors and affiliated investors. In contrast, as noted earlier, the state investor contributed significantly to LabourHigh by bringing external resources to the company through the participation of a representative on the board.

Notably, a comparison of the roles of institutional investors and outside directors using two cases shows that institutional investors or outside directors may play a resource providing role if the relationships between insiders and outsiders are strong and the insiders know how to exploit their resources obtained from outsiders. Furthermore, LabourLow shows that as the dominant shareholder is the state (whose monitoring function is ineffective), there is a high potential of the institutional investor colluding with the executives to expropriate the shareholders welfare.

The case of LabourLow also indicates that although the majority of executives in privatised firms consider themselves stewards and their employment with the company to be life-long, they need further incentive, which is provided by holding more stocks in the firm. The CEO of LabourHigh, who has strong steward culture and has a relatively high proportion of ownership, appears to have an adequate incentive to engage in entrepreneurial activities.

In contrast with the situation of dominant ownership at LabourLow, LabourHigh was characterised by a balanced ownership between inside and outside directors and no dominant shareholders. LabourHigh had two independent outside directors with substantial experience and knowledge in the industry. Here, the strong cooperation between the board and the CEO, in
addition to formal evaluation of the CEO by the board, created a framework of effective corporate governance.

8.6 Moderating Effect of State Ownership

8.6.1. The Moderating Role of State Ownership

Despite the fact that state ownership is an important antecedent of long-term decisions of privatised firms, state ownership is not the main focus of this study, which investigates governance mechanisms affecting CE in these firms. In addition, because it is difficult to estimate the direction of the relationships between state ownership and CE, state ownership is used as a control variable in the model. In fact, the role of state ownership in institutional transition is not clear, and state’s objectives in the firms are vaguely defined (Sjöholm, 2006). Usually, maximising social welfare such as employment has higher priority. Consequently, these objectives may contrast with a firm’s value maximization and constrain a firm wishing to invest in risky and long-term investment. On the other hand, the state investor with connection with the government which may give privatised firms more privilege to access scarce resources may be in better position to support a firm’s entrepreneurial activities.

Given that the qualitative data show a certain role of the state on internal governance mechanisms of privatised firms, which in turn may affect a privatised firm’s CE, this section aims to identify the moderating role of state ownership on the relationships between governance, ownership and CE. For instance, because the majority of CEO-chairs are appointed by state, they enjoy a strong de facto power so that they may be in a more favourable position to support projects with a short-term focus and to divert the firm from taking risks that align with the shareholders’ interest. Further, although ownership concentration has no association with the three dimensions of CE, the qualitative analysis explored whether concentrated ownership by the state shareholders may influence and shape a firm’s strategic choices. As discussed in Chapter 2, state shareholders may be less likely to engage in long-term investments, also due to the fact that controlling state shareholders may have approval rights on board composition and occasionally on ownership structure. Consequently, state ownership can be a contingent moderator on the relationships between ownership concentration and CE.

State ownership is defined as a categorical variable according to the degree of ownership of the state: no ownership, less than or equal to 50 percent, and more than 50 percent. It is worth noting that although the state can still be dominant or a controlling shareholder when state ownership is less than 50 percent, Company Law 2005 defines firms that have more than 50 percent of state ownership as state-owned enterprises or state-controlled companies. Therefore,
this study categorises them into one group. All of the firms that have less than or equal 50 percent of state ownership are grouped into one group. The final group includes all firms that have no state ownership. Because in the earlier models that estimate the main hypothesised effects state ownership was considered as a control variable and measured by continuous scale, I reran the estimations using state ownership as a moderating variable with a categorical scale. Results are presented in Table 31, Table 32, Table 33 for three dimensions of CE.

8.6.2. Results and Discussion

Model a includes all the control and independent variables. Model b includes only significant control variables and all independent variable. Model c includes all significant control variables and significant independent variables. Model d includes interaction terms between significant independent variables and state ownership. The findings show no support for the moderating effects of state ownership on the relationships between independent variables and innovation as well as business venturing.

The interaction coefficient of state ownership with board size in the estimation for strategic renewal is the only one that is significant. The interaction is negative ($p<0.10$), indicating that state ownership weakens the relationship between board size and strategic renewal. Figure 17 presents the plots, showing that the slopes are less steep when state ownership belongs to higher state ownership group. In other words, when the board size increases from one standard deviation below the mean to one standard deviation above, strategic renewal increases significantly when there is no state ownership in privatised firms in the sample. When state ownership is more than 50 percent, strategic renewal increases only slightly.

![Figure 17: Plots of strategic renewal as a function of the interaction of state ownership and board size](image-url)
The purpose of this section is to elucidate the moderating effect of state ownership on the relationships between governance, ownership and CE. Although the moderating effect is only found in the relationship between board size and strategic renewal, the findings highlight, to a certain extent, the importance of state ownership in influencing the way internal corporate governance mechanisms leverage or hamper entrepreneurial activities. The findings show that for firms with high level of state ownership, a larger board is less conducive to renewal activities, as it is the case for firms with low level of or no state ownership. There is one possibility that, for privatised firms with dominant state ownership, larger boards may include more affiliated directors, most of whom are government bureaucrats from controlling agencies or executives from the focal firms. As discussed earlier in this research, neither of them is supportive of firms' strategic changes. The reason for not finding significant moderating effects of state ownership on the relationships with innovation and business venture could be due to the low variation of these two dimensions, which makes it difficult to detect associations in the data when a moderator is included.
### Table 31: Results of Regressions for Innovation

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Table 32: Results of Regressions for Business Venturing

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<td>0.34 0.18 0.070</td>
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<tr>
<td>Utility service and construction</td>
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<tr>
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### Table 33: Results of Regression Analysis for Strategic Renewal

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<td>CEO duality</td>
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<td>0.54</td>
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<td>0.069</td>
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8.7. Conclusions

This qualitative study extrapolates its research findings from the survey study. It confirms that the advantages and disadvantages of CEO duality resulted in an insignificant relationship between the CEO duality and CE. It reinforces earlier discussions which suggest that outside directors do not contribute to long-term projects because of insufficient information and time. Although the survey findings supported the existence of large boards’ effect, interview analysis found that these result in poor communication and cooperation, making it harder to take decisions on entrepreneurial activities.

The fieldwork offered significant accounts of the relationship between ownership structure and risky investments. Managers who consider they to be acting as stewards do not behave to the detriment of the shareholders. Equity ownership did not therefore provide an adequate incentive mechanism for executives in privatised firms. Nevertheless, it is evident that executive’s stockholdings to a certain extent induce them to be involved in long-term investments. Institutional investors do not contribute to corporate governance effectiveness due to this investor myopia. It is explained that ownership concentration may help to reduce the free-rider problem, but factors argued by agency theorists fail to explain the phenomenon in this context. Tunnelling of resources by a coalition between controlling shareholders and the agent can occur, making concentration not attributable to long-term strategies. In particular, this qualitative study explores emerging factors that should be taken into account in research into corporate governance in privatised firms. They include the power of the CEO in the relationship with the power of the board, the impact of non-ownership independent directors, the role of affiliated directors, ownership proportion of all board members, effects of institutional investors and the issue of takeovers.

This qualitative study sheds light on the applicability of various theories in the context of privatised firms in Vietnam. The use of any single theory would be likely to generate misspecification in the context of transition, and that each theory can only provide a partial glimpse of the relationships between corporate governance and a firm’s long-term strategies, rather than a comprehensive understanding of this nexus. Specifically, the use of Agency Theory alone in the context of privatised firms operating in transition economies seems to be inappropriate (Dharwadkar et al., 2000). It is essential to employ Stewardship Theory in explaining corporate governance phenomena in transition economies. From the resource dependence perspective, the interviews showed that not all outside directors were able to bring resources to the firms. In addition, the resource providing role depends critically on the relationship between insiders and outsiders. Institutional Theory appears to be the most critical, and one which should be taken into
account when testing relationships in this context. In particular, the study revealed two theories which should be considered when examining the phenomenon in transition or emerging economies, namely, Managerial Hegemony Theory and efficiency abatement perspective. Notably, all theories should be employed in a way which mutually complements each other.
Chapter 9: Conclusions, Implications and Future Research

Conclusions

Limitation

Research

Findings

Implications

Contributions

Managerial

Key

Policies

Future
9.1. Introduction

This study has four research questions:

1. To what extent and how does board governance affect corporate entrepreneurship in Vietnamese privatised firms?

2. To what extent and how does ownership structure affect corporate entrepreneurship in Vietnamese privatised firms?

3. To what extent and how does board monitoring affect corporate entrepreneurship in Vietnamese privatised firms?

4. How do environmental factors moderate the relationships under investigations?

This chapter will summarise how this research answers the four questions above. Specifically, Section 9.2 starts with a discussion of the limitations of the research and proposes suggestions for further research. Section 9.3 states the main conclusions from the research. Section 9.4 highlights the contributions of the research, both theoretical and empirical. Finally, Section 9.5 outlines some policy and managerial implications.

9.2. Limitations

This study carries limitations that the readers should keep in mind when interpreting the findings and contributions. There is the issue of the sampling period (2010-2012) during which the economy was unstable. The difficulties faced by the banking sector in recent years in particular have prevented firms from investing in innovation, and in the creation of new firms. This makes the outcome variables concentrate at the lower range of the scale, preventing the data from detecting significant associations.

The study employs a cross-sectional approach with a single year’s data, and so does not allow for causal inferences to be made from the endogenously chosen governance, ownership and outcome variables. Future research should seek panel data analysis to address this potential endogeneity problem. Furthermore, although there was significant cross-sectional variation in board governance and ownership structure during the period under examination, the firms were characterised by certain similar structures, limiting the ability to detect relationships in the data, while the cross-sectional data may constrain the generalisation to other periods. In particular, because the economy was going through a transition period, and the privatisation of SOEs had been taking place during this period in Vietnam, the government had been continuously changing the regulations. As a result, generalisation of the current data to other periods becomes less feasible. Notably, when the firms simultaneously adopted the regulations, it may make the cross-
sectional data less likely to vary across firms, making the power of the statistical tests weaker. In addition, cross-sectional data with limitations of control variables may result in omitted variable bias, which may account for the explanatory power of predictors and organizational outcomes, making the relationships spurious (Black et al., 2006b).

The empirical data may not be able to capture sufficiently economic determinants of CE, such as economic growth, inflation, and capital markets. Additionally, some important corporate governance variables have been missed in the analysis, such as board ownership, and affiliated directors. Therefore, the study may also suffer from omitted variables. Although all important control and independent variables were included, there is still potential for the correlation of omitted variables bias in the analysis. Indeed, the interview data reveals some essential predictors that should be integrated in the models.

As this study focuses only on privatised firms, the results may not be generalised to other types of firms which do not exhibit the similar characteristics of privatised firms. In general, the board dynamics in other public firms may be different from those in privatised firms.

As this study is based on a single country, one should be cautious about generalising the findings to other contexts, despite the fact that, from a theoretical perspective, it is possible to extend the study to other similar contexts, such as China and other transition economies. Furthermore, it is suggested that national institutions have a significant impact on corporate governance system. Therefore, more cross-country studies are needed, in order to capture these factors.

It is important to pay attention to limitations regarding constructs employed in the study. Although it is important to distinguish between affiliated and non-affiliated outside directors in the context of transition economies (Peng, 2004), this study failed to take this dimension into account. Rather, only independent non-executive directors are considered in this research. Further, because business relations in the context of Vietnam, as well as other transition economies, are relation-based, it is difficult to define a truly independent director (Tenev et al., 2002). Future research therefore should take a closer look at this variable (outside ratio). Moreover, the dynamics in the relations between the boards and CEOs have not been carefully examined, meaning that this study potentially misses some important insights into corporate governance mechanisms (Young et al., 2001). Also, with respect to the CE construct, this study simply employs the measures developed in advanced economies. Hoskisson et al. (2000) argue that the measurement of this variable in emerging economies has several problems. Although the research of this study did strive to reduce the measurement problems that may arise from data collection, increasing the reliability of responses and comprehensive methods, there will still be inevitable measurement errors. Importantly, the proxies for CE, such as R&D expenses, patent counts or new product introduction, are missing, making it impossible to check the validity of CE measures.
In summary, there needs to be more valid measures that can be appropriately employed specifically in this context.

With those cautions in mind, the study adds the following key findings and contributions to the literature.

9.3. Key Findings

This research has focused on answering four research questions set out in Chapter 1 through the combination of a survey and explanatory multiple case studies. Table 34 provides a detailed summary of the research questions, hypotheses investigated in this work, the survey and qualitative findings.

The study showed that corporate governance mechanisms and ownership structures are not the key drivers of CE in Vietnam. The impacts are marginal and slightly vary between the different types of decisions. Also, the effects of these factors on long-term investments largely depend on institutional contexts, as well as specific organisational characteristics.

Board governance and corporate entrepreneurship

The analysis found that CEO duality did not affect CE, which implies that the independent leadership structure of the board does not account for variations in levels of CE in privatised firms. Apparently, board leadership structure can be both advantageous and disadvantageous. The study indicates that a trade-off existed between unity of command, from a stewardship perspective, and a lack of independence from an agency perspective. In addition, it may also be because this relationship is contingent on the lifecycle of the business and other organisational factors. Arguably, the research showed support for Institutional Theory, which argues that some practices may emerge without creating any economic value (DiMaggio and Powell, 1983, Meyer and Rowan, 1977). Privatised firms, when transiting from SOE to a market-oriented entity, tend to respond to institutional demands in order to enhance legitimacy. However, it does not effectively help them to increase the CEOs’ pursuit of entrepreneurial activities.

The board membership of TMT has no influence on innovation and strategic renewal and can even negatively affect business venturing. The qualitative evidence shows that the board with a high number of TMT members is de jure. The result supports Managerial Hegemony Theory, which argues that the board is ineffective because the CEO assumes real responsibility, and the TMT members tend to lack the ability and conditions to exercise their monitoring and control function when they sit on the board. Importantly, the representation of independent non-executive directors on the boards has no impact on innovation and strategic renewal and has a negative impact on strategic renewal. Once again, these findings support Institutional Theory. Resource Dependence Theory argues that not all outside directors bring resources to firms. The findings
suggest that independent non-executive directors in the context of Vietnam lack the ability to contribute to long-term decisions and to monitor management effectively. Finally, the board size positively influences innovation and strategic renewal, but does not make any contribution to business venturing. The qualitative data does not offer supportive results for Resource Dependence Theory, but it does explain how large board may prevent venturing efforts, given that greater differences between more members may generate more contrasting opinions and thus confound good decision-making.
### Table 34: Summary of Research Findings

<table>
<thead>
<tr>
<th>Research questions</th>
<th>Hypotheses</th>
<th>Survey Findings</th>
<th>Qualitative Findings</th>
<th>Emerging Themes</th>
</tr>
</thead>
</table>
| To what extent and how does board governance affect CE in Vietnamese privatised firms? | Hypothesis 1b (Institutional Theory): In newly privatised firms in Vietnam, CEO duality has no association with CE. | Supported.                                                                      | CEO duality is contingent on organisational factors such as life cycle, firm size.  | CEO versus board power
|                                                                                  |                                                                           |                                                                                | CEO duality has both advantages and disadvantages                                     |
|                                                                                  | Hypothesis 2b (Stewardship Theory): In newly privatised firms in Vietnam, TMT board membership is positively related to CE. | Not supported. Not related to innovation and strategic renewal. Negatively related to business venturing. | Executives behave as stewards, but they consider themselves as subordinates of CEO; they lack ability and de facto power to act as directors. | Affiliated outside directors
|                                                                                  |                                                                           |                                                                                |                                                                                      |
|                                                                                  | Hypothesis 3b (Institutional Theory): Representation of outside directors on the board is not significantly related to CE. | Partially supported. Not related to innovation and strategic renewal; negatively related to business venturing. | Outside directors play little role in firms strategies, lacking the ability and information to monitor management. They also lack incentive and conditions to provide resources to the firms. | Non-ownership independent directors
|                                                                                  |                                                                           |                                                                                |                                                                                      |
|                                                                                  | Hypothesis 4b (Resource Dependence Theory): In newly privatised firms in Vietnam, board size is positively associated with CE. | Partially supported. Positively related to innovation and strategic renewal. | Large boards are not effective due to diversity in ideas and thinking which leads to in consensus among board members | Board ownership
|                                                                                  |                                                                           |                                                                                |                                                                                      |
| To what extent and how does ownership structure affect CE in Vietnamese privatised firms? | Hypothesis 5b (Stewardship Theory): In newly-privatised firms in Vietnam, managerial ownership is | Supported.                                                                      | Managers feel attached to their firm and consider themselves as stewards. Equity holding does not |                                                                                      |

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### Vietnamese privatised firms?

<table>
<thead>
<tr>
<th>Hypothesis 6b (Efficiency abatement perspective): In newly privatised firms in Vietnam, institutional ownership is negatively associated with CE.</th>
<th>Not supported.</th>
<th>The majority of institutional investors are short-term speculators and they tend to lack knowledge of company. Institutional investors are passive in contributing to company’s strategy.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypothesis 7b (Principal-principal Agency Theory): In newly privatised firms in Vietnam, ownership concentration is negatively related to CE.</td>
<td>Not supported.</td>
<td>Ownership concentration helps to reduce free-riding problems, but it leads to tunnelling issues because high state ownership is still a dominant characteristic in privatised firms.</td>
</tr>
<tr>
<td>To what extent and how does board monitoring affect CE in Vietnamese privatised firms?</td>
<td>Hypothesis 8b: In newly privatised firms in Vietnam, the level of board monitoring is not significantly related to CE.</td>
<td>Partially supported. Not related to innovation, business venturing, and positively related to strategic renewal.</td>
</tr>
<tr>
<td>How do environmental factors moderate the relationships under investigations?</td>
<td>Hypothesis 9: The degree of perceived environmental dynamism moderate the relationships between governance and ownership in such a way that the relationships posited in Hypotheses 1 through 8 will be stronger in a low dynamism environment than in a high</td>
<td>Partially supported. Dynamism negatively moderates the relationships between TMT board membership and business venturing.</td>
</tr>
</tbody>
</table>
**Chapter 9: Conclusions, Implications and Future Research**

<table>
<thead>
<tr>
<th>Hypothesis 10: The degree of perceived environmental heterogeneity moderates the relationships between governance and ownership in such a way that the relationships posited in Hypotheses 1 through 8 will be stronger in a high heterogeneity environment than in a low heterogeneity environment.</th>
<th>Not supported. Heterogeneity negatively moderates the relationships between board size and innovation and strategic renewal.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypothesis 11: The degree of perceived environmental hostility moderates the relationships between governance and ownership in such a way that the relationships posited in Hypotheses 1 through 8 will be stronger in a low hostility environment than in a high hostility environment.</td>
<td>Not supported. Hostility positively moderates the relationship between institutional ownership and business venturing.</td>
</tr>
</tbody>
</table>
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Structure of ownership and corporate entrepreneurship

The study provides insights into how ownership structure influences entrepreneurial activities. The findings offer evidence that is against the principles of Agency Theory, with the result that managerial ownership is not related to CE. The study finds that most of the managers consider themselves to be their company’s stewards and perform this role in the company’s success and survival, no matter how much equity they own. In particular, higher equity shares may marginally prevent managers engaging in innovation projects because holding a high proportion of shares may make risk-averse managers avoid investing in risky long-term projects. However, the study reveals that holding an appropriate numbers of shares can prevent managers from entrenchment behaviours and make them more willing to take measured risks.

Interestingly, shareholding by institutional investors does not play any role in contributing to CE. The qualitative evidence shows that institutional investors lack the knowledge and information to be involved in a firm’s long-term strategies. Notably, the majority of institutional investors are usually short-term speculators who seek to gain residual benefits from buying and selling shares. They are not likely to take risks and invest in projects which may take several years to achieve returns. Further, given the fact insiders tend to prevent institutional investors from buying shares in their firm, in order to avoid a takeover, and given also the limitation on the regulations relating to the shareholding of institutional investors, this group of investors accounts for a very small proportion of capital shares in privatised firms. Consequently, they lack incentive to contribute to corporate decisions.

For ownership concentration, no significant relationships were found. The explanation from the qualitative evidence is the trade-off between monitoring effectiveness and tunnelling opportunity behaviours by controlling shareholders. On the one side, concentration of ownership mitigates the free-riding problems of dispersed ownership. Due to inefficient regulations relating to information disclosure in Vietnam, small investors usually lack the company’s information. Further, because a corporate market is quite new in Vietnam, the individual investors often lack knowledge and the ability to be actively involved in corporate strategies and to execute shareholders’ rights properly. Consequently, concentration of ownership can reduce the presence of these free-riding and passive investors who can be the reason for managers’ opportunistic behaviours. On the other hand, given that the state is still the largest shareholder in many privatised firms in Vietnam, concentrated ownership by the state, which is not a de facto owner, have resulted in opportunities for controlling shareholders to expropriate minority shareholders. There was evidence from the qualitative study that the controlling shareholder colludes with affiliated managers through the representatives in privatised firms to expropriate the value of minority shareholders. As such, with ownership concentration, controlling shareholders both benefit the
firm and expropriate the minority shareholders, making the effect of ownership concentration fuzzy.

**Board monitoring and corporate entrepreneurship**

In the context of privatised firms, board monitoring does not help to promote innovation and venturing projects, but it does enable strategic changes to be easily implemented. The qualitative study explains that, in the context of privatised firms in Vietnam, the collaboration between the board and CEO is critical for long-term projects to be approved. Trust between boards and CEOs appears to be very important for the strategy-making process. With trust by the board, CEOs are less likely to hesitate in taking entrepreneurial opportunities and making entrepreneurial decisions. The study finds that, due to social relations embedded in CEO–board relationships, board monitoring in the context of Vietnamese privatised firms is not as effective as in other contexts and in developed economies.

**Moderating effects of environmental uncertainty**

The study finds some moderating effects of environmental factors on the relationships under investigation. Environmental dynamism negatively moderates the relationship between TMT board membership and business venturing. As previously argued, because executives in privatised firms are usually risk-averse, they can hesitate to take risks and overlook CE projects. Environmental heterogeneity negatively moderates the relationships between board size and innovation, as well as board size and renewal. Probably, with more opportunities from heterogeneous environments, the large board may face more difficulties in selecting investment alternatives and making entrepreneurial decisions. Counter to the expected negative moderation effect, environmental hostility positively moderates the relationships between institutional ownership and business venturing. This indicates that, in hostile environments, the firms are more likely to seek advice and information from institutional investors. In summary, the study shows that, although environmental uncertainty does not always have a moderating impact on the relationships between corporate governance and CE, these relationships are contingent on environmental factors, to a certain extent. These findings open a new avenue for future research that addresses how to better understand the moderating effect of environments on the examined relationships in the context of transition economies.

**9.4. Contributions**

This study makes several important theoretical and empirical contributions to the literature. This is the first study to provide an in-depth analysis of the impacts of corporate governance and ownership structure on CE in privatised firms in a transition economy, based on both survey and
interview data. The evidence found in this study remains very rare in the field, due to the difficulties in accessing the actors and data related. Most importantly, this study confirms Filatotchev (2008) that there is no universal “best way” to achieve corporate governance effectiveness. Rather, this is distinctive for each specific institutional environment. Below are the specific empirical contributions.

This study highlights that the separation of the two roles, chair and CEO, does not necessarily contribute to entrepreneurship decisions. This finding from the interview data implies that the relationship between CEO duality and CE may depend on the specific context of each organisation.

Inconsistent with the arguments of some previous studies, TMT members in privatised firms do not create synergy and consensus in order to contribute significantly to entrepreneurship projects. Rather, their presence on the board makes it ineffective, according to Managerial Hegemony Theory. Even, the involvement of TMT members on the board negatively influences venturing decisions.

The evidence suggests that outside directors play a minimal role as resource providers and controllers. The finding shows that the involvement of outside directors negatively influences business venturing. The interview data provided an explanation for this, namely that independent non-executive directors' lack time, information and understanding of the firms, so that they are not able to contribute to long-term decisions. The finding is consistent with that of Peng et al. (2003) in Russia, and by Peng (2004) in China, which showed that outside directors do not necessarily improve financial performance. However, the study presents evidence that is inconsistent with the finding by Stiles (2001), who argued that non-executives directors are helpful to firms in providing counsel and advice.

There is evidence that, although a large board is not conducive to business venturing, it significantly contributes to innovation and strategic renewal. The results imply that a large board is important in promoting innovation and strategic changes, which are more likely to relate to internal strategic changes than to initiating new ventures.

The study suggests that equity ownership by managers plays no role in promoting CE. The marginal and negative impact of managerial shareholding towards innovation activities implies that, because a majority of CEOs are risk-averse, holding high numbers of shares may prevent them from investing in R&D or developing new products. The interview data suggests that managers do not consider themselves as agents. Rather, they see themselves as owners, so that they tend to work for the survival and success of their business, no matter how many shares they own. Indeed, prior studies found that Agency Theory’s arguments are likely to be valid when managers’ interests are at stake (Finkelstein and D'Aveni, 1994). Given the weak market for control in
Vietnam, where the managers are less likely to be under pressure to be threatened, the
terms of managers in this context are less likely to support Agency Theory. Interestingly, the
interview data also suggests that, although equity holding does not create positive effects on
entrepreneurship decisions, it is necessarily an incentive for managers to bear measured risks
related to long-term investments. It also implies that significant ownership by the managers who
were previously SOEs managers, and so tend to be risk-averse, may prevent them from engaging
in innovation activities.

The results suggest that shareholding by institutional investors plays no role in enhancing
entrepreneurship investments. The interview data reveals some factors that account for the
limitation of roles played by institutional investors. Given the difficulties faced by institutional
investors when investing in privatised firms, the proportion of institutional ownership is low,
making them less likely to have opportunities to have a seat on boards and make an impact on
these firms. On the other hand, a majority of institutional investors are highly diversified investors,
so that they tend to speculate on their investments rather than to invest for the long run. This
makes them lack incentive to contribute and support to long-term investments.

Ownership concentration is not a determinant of corporate entrepreneurial activities. The
interview data reveals that tunnelling does exist in the privatised firms, particularly in those with a
high concentration of state ownership. In contrast, a high concentration of ownership helps
reduce free-rider problems. In combination, a large concentration does not have a significant
impact on long-term decisions.

Board monitoring is conducive to strategic renewal, while having no impact on innovation or
business venturing. It was explained that, because strategic renewal is more likely to relate to the
improvement in the current activities, it requires adequate monitoring by the board to maintain
and promote renewal. Nevertheless, monitoring of the board over management is not beneficial
to innovation and business venturing. Interview data suggests that boards appear to encourage
trust in relations with CEOs in order to enhance the decision-making process. Alternatively put,
for decisions relating to risky investments, there needs to be collaboration between boards and
CEOs.

With regard to the moderating effects of environments, dynamism, heterogeneity and hostility of
environment brings different impacts on the relationships between governance, ownership and CE.
Firstly, the study finds that, in a dynamic environment, having more TMT members on the board
leads to a higher degree of engagement in venture creation activities. Secondly, in a more
heterogeneous environment, a large board is less beneficial to innovation and renewal activities.
This finding implies that, in an uncertain environment, a large board may face greater
miscommunication, making innovation and renewal decisions less likely to be approved. Finally, in
more hostile environments, institutional investors play more significant roles in enhancing venture projects.

This study advances corporate governance research by suggesting that theories other than Agency Theory help predict and explain corporate governance in transition economies; the standard agency-theoretical model alone is inadequate. More specifically, integrating four key theories enhances our understanding of roles of boards of directors and the contribution of shareholders to CE. The study findings clearly imply that different mechanisms captured by different theories interact with each other to explain organisational strategies (Morgeson and Hofmann, 1999, Shimizu, 2007). The results in this study are consistent with previous findings (Nicholson and Kiel, 2001, Kiel and Nicholson, 2003), which also employed a case study method, and concluded that no single theory is able to provide a comprehensive picture of the relationship between corporate governance and organisational strategy or performance. Rather, each theory can make its own contribution to governance effectiveness and can be applied in different circumstances.

Little support for Agency Theory is indicated through testing hypotheses of the effects of CEO duality, through the involvement of top management team members on the board, and through the involvement of independent non-executive directors and managerial ownership on CE. The results reinforce the argument of Dharwadkar et al. (2000), who pointed out that: “…the nature and severity of agency problems in privatised firms in emerging economies differ from those in developed economies…” It is probably the underdevelopment of market institutions in transition economies that makes Agency Theory less applicable. However, interview data reveals that, although this theory is not strongly supported, its applicability in this context is evident.

The study suggests that the attitude of stewardship does exist in the context of privatised firms. Specifically, CEO duality is insignificantly related to CE; managerial ownership is negatively associated with innovation and insignificantly associated with venturing and strategic renewal; and TMT board membership is not negatively related to innovation and strategic renewal. Although these results do not explicitly support Stewardship Theory, they indirectly indicate the existence of a stewardship culture. More specifically, the integration of Stewardship Theory and Agency Theory are more beneficial for providing a greater explanatory power for corporate governance issues in the context of Vietnam. The qualitative evidence confirmed the co-existence of these contrasting perspectives in the context of Vietnamese privatised firms. Notably, these two contrasting theories were complementary to rather than exclusive of each other. Further, the study also reveals some insights into the applicability of Stewardship Theory, suggesting that it is more applicable in the early stage, immediately after privatisation. This insight is consistent with the argument that young ventures are less control-oriented than more mature ones, so Stewardship Theory is better applied to new ventures than to mature ones (Wasserman, 2006).
Resource Dependence Theory suggests that board members may contribute to the board by providing scarce resources to target firms (Pfeffer and Salancik, 1978a, Hillman and Dalziel, 2003). The study offers two contrasting results for the proportion of independent non-executive directors and the size of the board. Whereas outsider involvement is not associated with CE, the size of boards is positively related to innovation and strategic renewal. The qualitative study gave support to these findings by illustrating that some outside directors are supportive of board effectiveness through the resources they bring to the firms, whereas others lack incentive and the conditions to play their role of resource providers effectively. Taken together, the presentation of outside directors does not contribute positively to CE. However, the boards with more members tend to be better at long-term decisions, supporting the view that more members bring more resources to the firms, from the perspective of Resource Dependence Theory. Clearly, the results support this theory to a certain extent.

This study provides strong support for Institutional Theory by showing that CEO duality has no impact on three measures of CE, and outside directors have no impact on innovation and strategic renewal. This study contributes to Institutional Theory by contrasting its arguments with that of Agency Theory and testing the phenomenon in the context of under-developed institutional environments. Both quantitative and qualitative data allow for the conclusion that, in the context of privatised firms in Vietnam, institutionalised norms in society, rather than agency conflicts, determine firms’ corporate governance practices, which in turn affect CE. Apparently, the study reinforces the argument for an institutional perspective in corporate governance research.

Interestingly, throughout the qualitative data, this study suggests that boards of directors in privatised firms are de facto the governing bodies of firms, supporting Managerial Hegemony Theory. On the one hand, being inherited from the bureaucratic practice existing in previously SOEs, the controlling function in newly privatised firms tends to be held by the management team. On the other hand, with the heavy involvement of TMT on the board, boards of directors are only a “legal fiction”, which is ineffective in solving the agency problems between management and shareholders (Mace, 1971, Kosnik, 1987). Because boards of directors are passive and neutralised by corporate management, they are not able to exercise control, in contrast to the traditional role of the board. As such, the functions of the boards in this context should be viewed differently from those in other contexts. They may play more the role as resource providers or strategic counsellors rather than controllers. The study adds evidence to the view that the hegemony of managers of previous SOEs does exist in privatised firms and there needs to be consideration of this factor in shaping corporate governance effectiveness.

Finally, with respect to the methodological contribution, the mixed-methods approach employed in this study enables us to obtain an understanding of the complete picture of corporate
governance in a transition economy, and responds to the calls for the use of multiple methods in corporate governance research (Buchanan et al., 2013). Further, unlike previous studies in emerging countries, which are only based on samples of publicly traded corporations, this study uses a sample of the companies that were privatised from SOEs as a whole.

9.5. **Policy and Managerial Implications**

In addition to its theoretical and empirical contributions, this research has provided several policy and practical managerial implications.

For policy makers, this study demonstrates that several institutional and historical factors, rather than agency problems, shape the corporate governance arrangements for privatised firms in Vietnam. It cautions against the view that the standard Anglo-American corporate governance model can be applied in the context outside the US and UK. The findings provide important implications for the Vietnamese government, who used to employ a modern corporate governance model when issuing policies for public companies. For instance, the findings do not support the current policies, which encourage the firms to separate the top two positions and require them to adopt more independent non-executive directors into the boards. Therefore, this study calls for special attention to the current trend of non-CEO duality and independent outside directors. The findings implicitly indicate that the government may have made errors with several policies relating to corporate governance applied to public firms because those policies have not come from the practice of Vietnamese firms. However, the findings do not indicate that agency problems are entirely absent in the context of transition economies. They suggest that agency costs do exist but they are not as high as they are in developed economies. Instead, stewardship culture may help to reduce these costs and the board members may play their role as resource providers to certain extent. It reinsures that a corporate governance system is a dynamic concept that is heavily dependent on the specific context. These findings imply that the government should develop and revise policies with scrutiny and caution, especially during institutional transition, acknowledging several aspects and roles of the boards and investors towards firm strategies.

With the initial policy “grasping the large, letting go of the small”, more than one thousand SOEs that have not been privatised are mainly the big and highly valued firms. In the near future, the government should pay attention to improving policies regarding privatisation. Although the results from the survey study show that institutional investors play no role in the choices of corporate strategies, the qualitative data shows that they are more capable than other investors in contributing to the firms’ success. However, their limited ratio of shareholdings hinders their active involvement in the firm’s long-term decisions. Therefore, there should be some modification in the government’s regulations towards giving more room for the participation of
foreign and institutional investors. With more shares, these investors may be able to have a
greater impact through involvement on the board and by providing more monitoring, as well as
scarce resources. The qualitative data indicate the advantages and drawbacks of these investors.
The government should have a closer look at the policies regarding the participation of these
groups of investors so that they become beneficial to the privatised firms. In particularly, given the
disadvantages of state ownership, it is suggested that the government should strongly reduce state
ownership in privatised firms. This would encourage outside investors to be involved in buying
shares in the privatised firms. Further, while the state still maintains the ownership in privatised
firms, the government should improve the regulations relating to the representatives of state
capital in pubic firms. It is worth noting that the regulations need to be improved to mitigate the
coalition between government bureaucrats and executives in expropriating the shareholders’
value. In addition, the government should emphasise developing market-oriented management
mechanisms in privatised firms, such as compensation, competitive recruitment, and making radical
and real changes in former SOEs.

Finally, the government should make substantive improvements in external corporate governance
mechanisms, as suggested by Walsh and Seward (1990) because internal governance is only a part
of bundles of governance practices (Yoshikawa et al., 2014). As such, instead of forcing firms to
adopt common rules, the government should strive to strengthen external corporate governance,
such as developing strong capital markets, building effective markets for corporate control and
active take-over market, and issuing strong regulations to protect minority investors.

For practitioners, the study suggests that corporate governance mechanisms in Vietnam exhibit
distinctive features that are different from the practice of US and European economies. In general,
the study demonstrates that board governance as well as ownership structure has little impact on
the degree of CE of privatised firms. However, there are some important implications that
practitioners should pay attention to in order to improve corporate governance. As a large board
is more supportive of innovation and renewal activities, the firms may add more value to the
board by increasing the number of directors. The study suggests the practitioners in firms in
Vietnam, as well as in other similar contexts, should maintain larger boards, but pay attention to
the composition of the board. While TMT members do not contribute positively to the board,
due to a lack of de facto power, outside directors lack the ability, knowledge and incentive
necessary to contribute to board effectiveness. As such, on the one hand, firms should not
maintain a high proportion of inside directors because it may create a de jure board, as suggested
by Managerial Hegemony Theory. On the other hand, the firms should seek to add more qualified
outside directors to the board. Put another way, the firms should invite more directors that could
bring resources to the firms, such as skills, knowledge and connections to external environments,
as suggested by Resource Dependence Theory (Hillman et al., 2000, Pfeffer and Salancik, 1978a,
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Hillman and Dalziel, 2003). Firms can maximise the advantage of boards by ensuring a proper mix of skills is represented on them, as suggested by the Intellectual Capital Theory of corporate governance (Kiel and Nicholson, 2003). Secondly, the study demonstrates that outside directors tend to lack incentive to get involved in boards’ activities. It is suggested by this study that higher ownership by board members may offer more incentive to both inside and outside directors, motivating them to engage in more long-term investments and be more willing to grasp opportunities. On the other hand, it appears that independent boards are not as important as they are in developed economies. Board monitoring is necessary for initiating strategic changes, but not important for innovation and business venturing. The study suggests that firms should, on the one hand, maintain board monitoring through monitoring top management’s decision-making and evaluating the CEO’s performance; and that, on the other hand, they should sustain collaboration between board members and the CEO.

Lastly, the study shows both advantages and disadvantages when having two roles held by one person, suggesting that CEO duality has no impact on CE. Findings from interviews lend support for prior research that CEO duality is contingent on organisational factors (Boyd, 1995) or on environmental factors (Peng et al., 2007). As such, based on the specific context of each firm, the firms should choose the appropriate mechanisms that suit them, rather than just follow society’s perception or follow Anglo-American models. When the firms are of a small size and at the initial stage, after privatisation, the combination of two roles may be more beneficial, because power is concentrated on one person, making the decision-making quicker. When the firms get larger and move further into market-oriented form, two roles should be assumed by two individuals because, at that time, the attitude of stewardship decreases, so there needs to be more monitoring over management, as well as incentive for managers to bear more risks.

With respect to ownership structures, the study confirms the stewardship attitude of managers, in that shareholding is not positively related to CE, which means that the level of ownership does not affect the degree of managers’ risk-taking. The qualitative data provided evidence of this culture. However, this study also suggests that managers should be required to hold an appropriate proportion of ownership. One the one hand, it provides sufficient incentive for the managers. On the other hand, as a majority of managers in privatised firms are risk-averse, possessing too much equity may prevent them from adopting entrepreneurial activities.

From the results of the insignificant relationship between institutional ownership and three measures of CE, privatised firms should increase the proportion of capital holdings of institutional investors. Ownership by institutional ownership should be high enough that they have sufficient incentive to contribute to the board. On the other hand, firms should take careful consideration when selecting strategic institutional investors, in order to avoid a takeover. It is suggested that
the institutional investors should be the firms operating in the same industry who have expertise in technology as well as management skills. Also, focal firms should increase the proportion of shareholding of institutional investors gradually if they find that there is a good match between investors and investees in terms of culture and strategic directions.

Finally, the study suggests that ownership should be concentrated at a moderate level so that it avoids the free-rider problem and ensures sufficient monitoring over management. Also, the study is alarmed about the tunnelling problem arising from high ownership concentration, particularly in the firms with high state ownership. The practitioners should pay particular attention to problems of insider trading and potential collusion between large shareholders and affiliated managers.

9.6. Further Research

Because the Vietnamese economy is undergoing institutional transition, practices of corporate governance mechanisms will continue changing and move toward the model of more developed economies (Peng, 2003). Corporate governance itself is also a dynamic concept, which changes over time. The debate on relationships between corporate governance and strategic choices therefore is still promising and challenging. Future research may need to re-examine this to see how the relationships changes, and delve deeper to further explore the black box of internal corporate governance and its effects on CE, particularly in under-researched contexts like Vietnam. Further research should focus on the areas highlighted below.

Because a relationship between internal and external control mechanisms exists (Walsh and Seward, 1990) and internal corporate governance mechanisms are embedded in a multi-level governance system (Aguilera et al., 2008), the roles of BOD members, as well as investors, interplay with other elements of the 'corporate governance bundle', including the national governance system (Yoshikawa et al., 2014). Therefore, this study again supports the view of Filatotchev et al. (2013) who suggest that future research scholars should examine corporate governance mechanisms at multi-levels through an interplay between macro-, meso- and micro-levels. On the other hand, because governance mechanisms are interdependent (Filatotchev and Nakajima, 2010), it would be useful to examine how different mechanisms substitute for or complement each other in this context (Hoskisson et al., 2002). In addition, future research should also seek to overcome the constraints of cross-sectional data, as employed in this study. Longitudinal data may offer new insights into the complex relationships between corporate governance, ownership and CE. Further, future scholars should extend the study to other types of firms, such as small public firms, and private or listed firms.

Furthermore, future research should refine constructs and validate these measures appropriately for use in transition economies. Indeed, as entrepreneurial activities are complicated and vary
significantly in their processes, it is suggested that they should not to be used commonly in all research (Zahra and Wright, 2011). For example, since investments in R&D are barely conducted by firms in Vietnam, the inclusion of this item in the innovation construct makes it difficult to validate the measures. Additionally, as suggested by Tian and Lau (2001), it is essential to offer better concepts and measures of corporate governance in Vietnam.

Likewise, future research needs to further investigate the emerging predictors of CE and look more closely at all governance dynamics. For example, it would be useful to provide empirical tests of whether board ownership or outside ownership is an attribute of the variation in the degree of CE. It would also be useful to examine how CEO/board power is structured in transition economies and whether this variable predicts CE. Further, research scholars could explore the roles of different types of insiders and outsiders play on boards. Additionally, this study has not yet examined the role of foreign ownership because the proportion of foreign ownership was not large enough to detect any associations. In future, when foreign investors are involved more in privatised firms, empirical tests of the role of these types of investors is essential. Also, future studies should disaggregate outside directors into affiliated and non-affiliated outside directors, because the underlying dynamics governing the management of, and contributing to, the boards by these two groups of investors are different.

Finally, as suggested by Stiles (2001), future research on privatised firms in transition economies should look at the human capital of board members, which originally comes from a resource-based view (Barney, 1991).
## ANNEX

### Annex 1: Key Events Affecting Corporate Governance in Vietnamese Privatised Firms

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
<th>Implications for boards of directors/ outside directors/ institutional investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>202-CT</td>
<td>No boards of directors in SOEs</td>
</tr>
<tr>
<td>1997</td>
<td>Ho Chi Minh stock-exchange opened</td>
<td>Privatised firms must be joint-stock companies with boards but no specification on board composition</td>
</tr>
<tr>
<td>1998</td>
<td>44/1998/ND-CP</td>
<td>For SOEs, governments still want to retain controlling right. Individuals not allowed to buy over 5 per cent and legal persons not allowed to buy over 10 per cent. For SOEs government do not need to retain controlling right in, Individuals not allowed to buy over 10 per cent and legal persons not allowed to buy over 20 per cent. For the rest, no limit to individuals and legal persons buying of shares</td>
</tr>
<tr>
<td>2000</td>
<td>03/2000/ND-CP</td>
<td>Lays out rules on rights and responsibilities of boards</td>
</tr>
<tr>
<td>2002</td>
<td>64/2002/ND-CP</td>
<td>Firstly, domestic investors allowed to buy unlimited number of shares issued. Foreign investors not allowed to buy over 30 per cent</td>
</tr>
<tr>
<td>2003</td>
<td>SOEs Law</td>
<td>Board of directors is representative of ownership of state at the firms and conducts some ownership right.</td>
</tr>
<tr>
<td>2004</td>
<td>187/2004/ND-CP</td>
<td>Strategic investors allowed to purchase maximum of 20 per cent of total shares for sale at a discount of 20 per cent, compared to average auction price, and obligated to hold these shares for a period of three years after date when business registration certificates issued to equitized enterprises Foreign investors not allowed to hold more than 30 per cent of total shares in an equitized company Privileges for employees tightened, where they could buy shares at 40 per cent discount of auction price instead of at lowest auction price; this only applied to preferred stock (100 shares for each working year)</td>
</tr>
<tr>
<td>2007</td>
<td>109/2007/ND-CP</td>
<td>Strategic investors have no more right to buy at 20 per cent discount price and have to commit to invest for long-term Strategic investors allowed to buy at price lower than average auction price Strategic investors now include foreign investors</td>
</tr>
<tr>
<td>2011</td>
<td>59/2011/ND-CP</td>
<td>Maximum of three strategic investors, minimum of 5 years in investment Price for strategic investors not lower than lowest successful auction price More privileges for employees</td>
</tr>
<tr>
<td>2012</td>
<td>121/2012/BTC</td>
<td>Public companies have to disclose information on the company’s websites. Right to attend GMS is extended to other means of doing so (post, distant voting) Large-size publicly traded companies and listed company must have at least one third independent non-executive directors</td>
</tr>
</tbody>
</table>
# Annex 2: Some Prominent Definitions

<table>
<thead>
<tr>
<th>Authors</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vesper (1984, p. 295)</td>
<td>CE involves employee initiative from below in the organisation to undertake something new. An innovation which is created by subordinates without being asked, expected, or perhaps even given permission by higher management to do so</td>
</tr>
<tr>
<td>Carland (1984)</td>
<td>An entrepreneurial venture is one that engages in at least one of Schumpeter’s four categories of behavior: introduction of new goods, introduction of new methods of production, opening new markets, industrial reorganisation</td>
</tr>
<tr>
<td>Jennings and Lumpkin (1989, p. 489)</td>
<td>The extent to which new products and/or new markets are developed. An organisational is entrepreneurial if it develops a higher than average number of new products and/or new markets</td>
</tr>
<tr>
<td>Covin and Slevin (1991, p. 154)</td>
<td>Entrepreneurship is described as dimensions of a firm’s risk-taking propensity, the tendency to act in a competitively aggressive manner, proactive manners, and reliance on frequent and extensive product innovation</td>
</tr>
<tr>
<td>Guth and Ginsberg (1990, p. 5)</td>
<td>CE encompasses two types of phenomena and the processes surrounding them: (1) corporate venturing, which means the birth of new businesses within existing organisations, and (2) strategic renewal, which entails the transformation of organisations through renewal of the key ideas on which they are built</td>
</tr>
<tr>
<td>Schendel (1990, p. 2)</td>
<td>CE involves the notion of the birth of new businesses within on-going businesses, and beyond that, involves the transformation of stagnant, on-going businesses in need of revival or transformation</td>
</tr>
<tr>
<td>Zahra (1993a, 321)</td>
<td>CE is a process of organisational renewal that has two distinct but related dimensions: innovation and venturing, and strategic renewal</td>
</tr>
<tr>
<td>Zahra (1996a, p. 227)</td>
<td>CE is the sum of a company’s innovation, renewal, and venturing efforts. Innovation involves creating and introducing products, production processes, and organisational systems. Renewal means revitalising the company’s operations by acquiring new capacities and creatively leveraging them to add value for shareholders. Venturing means that the firm will enter new businesses by expanding operations in existing or new markets</td>
</tr>
<tr>
<td>Stopford and Baden-Fuller (1994)</td>
<td>Three types of CE can exist in the same firm. They include the creation of new businesses within the existing organization, the transformation or renewal of existing organizations and the enterprise changing the ‘rules of competition’ in its industry</td>
</tr>
<tr>
<td>Block and MacMillan (1993)</td>
<td>Corporate venturing happens in ventures which are based on a new product, the development of a new market, or the commercialization of a new technology</td>
</tr>
<tr>
<td>Sharma and Chrisman (1999)</td>
<td>CE is the process whereby an individual or a group of individuals, in association with an existing organization, create a new organization or instigate renewal or innovation within that organization</td>
</tr>
</tbody>
</table>

Source: Author.
## Annex 3: A Summary of Literature Review on the Relationships Between Ownership Structure/Board Attributes and Organisational Outcomes

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Effects</th>
<th>Theoretical approaches</th>
<th>Underlying theoretical assumptions</th>
<th>Main related works</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CEO duality</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Negative</td>
<td>Agency Theory</td>
<td>CEO duality increase potential for opportunistic behaviours by weakening the board’s monitoring power (Boyd, 1995)</td>
<td>Rechner and Dalton (1991); Mallette and Fowler (1992); Daily and Dalton (1994); Pi and Timme (1993); Zahra et al. (2000b); Sundaramurthy et al. (1997)</td>
<td></td>
</tr>
<tr>
<td>Positive</td>
<td>Stewardship Theory</td>
<td>CEO duality enhances opportunities for self-actualisation and achievement.</td>
<td>Donaldson and Davis (1991); Muth and Donaldson (1998); Brickley et al. (1997)</td>
<td></td>
</tr>
<tr>
<td>No association</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TMT board membership</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Negative</td>
<td>Agency Theory</td>
<td>Including managers on a board compromises it efficacy in controlling managers (Eisenberg, 1976). Board dominated by insiders are a legal fiction. Board dominated by management are weak and ineffective in providing oversight (Kosnik, 1987).</td>
<td>Baysinger et al. (1991)</td>
<td></td>
</tr>
<tr>
<td>Positive</td>
<td>Information-processing Theory</td>
<td>Insiders are better than outsiders in achieving multifunctional coordination and in facilitating interdepartmental communications. Insiders have more data and better tacit knowledge of the firm than outsiders.</td>
<td>Hill and Snell (1988); Baysinger et al. (1991); Zahra (1996a)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Stewardship Theory</td>
<td>In young and entrepreneurial firms at the time of IPO, TMT board members could behave as stewards who are more intrinsically motivated.</td>
<td>Kroll et al. (2007); Arthurs et al. (2008); Walters et al. (2010)</td>
<td></td>
</tr>
<tr>
<td>Outside ratio</td>
<td>Positive</td>
<td>Agency Theory</td>
<td>Boards with more non-executive independent directors are more effective better monitors</td>
<td>Baysinger and Butler (1985); Hill and Snell (1988); Pearce II and Zahra (1992); Daily and Dalton (1993); Sanders and Mason (1998); Hoskisson et al. (2002); Coles et al. (2008)</td>
</tr>
<tr>
<td>---------------</td>
<td>----------</td>
<td>---------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>Resource</td>
<td>Dependence Theory</td>
<td>With increased environmental dependencies and environmental uncertainty, there need to be external linkages which can be provided by outside directors (Pfeffer, 1978).</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Transaction Costs</td>
<td>Theory</td>
<td>Directors can help to reduce the transaction costs related to the interdependencies between the firm and external institutions (Williamson, 1985).</td>
<td></td>
</tr>
<tr>
<td>Negative</td>
<td>Information asymmetry</td>
<td>Outsiders often lack of information needed to be effective in controlling decisions (Baysinger and Hoskisson, 1990)</td>
<td>Yermack (1996); Agrawal and Knoeber (1996); Zahra (1996a); Zahra et al. (2000b); Bhagat and Black (2001); Kiel and Nicholson (2003)</td>
<td></td>
</tr>
<tr>
<td>perspective</td>
<td>Insiders are more capable than outsiders of enabling multifunctional coordination (Hill and Snell, 1988). Some outsiders engage in free riding and employ financial control (Zahra, 1996a).</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No association</td>
<td>Insider-outsider orientation is correlated with industry-environmental characteristics (Pfeffer, 1972)</td>
<td>Chaganti et al. (1985); Hermalin and Weisbach (1991); Kor (2006)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board size</td>
<td>Positive</td>
<td>Resource</td>
<td>Larger boards can be more effective in their overseeing duties, effectively monitor actions of top management, and be less dominated by the CEO (Zahra and Pearce, 1989). More members bring more monitoring resources, possibly improving company performance (Alexander et al., 1993, Goodstein et al., 1994, Pfeffer, 1972, 1973). Larger board size increases board diversity in terms of experience, skills, style of management and opinions, leading to Vance (1964); Chaganti et al. (1985); Sanders and Mason (1998); Dalton et al. (1999); Kiel and Nicholson (2003)</td>
<td></td>
</tr>
</tbody>
</table>
more effective monitoring.

<table>
<thead>
<tr>
<th>Negative</th>
<th>Agency Theory</th>
<th>Large boards may be less efficient in solving the agency problem among board members (Jensen, 1993). Smaller board size diminishes the free-rider problems associated with larger boards (Hermalin and Weisbach, 2003). It is more difficult for a large group of peers to agree on controversial decisions.</th>
<th>Hermelin and Weisbach (2001); Judge Jr and Zeithaml (1992); Yermack (1996); Huther (1997); Eisenberg et al. (1998); Barnhart and Rosenstein (1998); Conyon and Peck (1998); Bohren and Ødegaard (2001); Cheng (2008)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No association or nonlinear</td>
<td>Contingency Theory</td>
<td>“When boards get beyond seven or eight people, they are less likely to function effectively and are easier for the CEO to control.” (Jensen, 1993). The effectiveness of the board of directors is more likely to be contingent on contextual variables, as well as on the power of the various internal and external actors (Aguilera and Jackson, 2003, Aguilera, 2005). The optimal combination of governance mechanisms is therefore more likely to be different according to company characteristics (Ahmed and Duellman, 2007), industries (Huse, 2005), and countries (Ahmed et al., 2006).</td>
<td>Baysinger and Butler (1985); Hermelin and Weisbach (1991); Golden and Zajac (2001); Vafeas (2000); Bennedsen et al. (2004); Bhagat and Black (2001)</td>
</tr>
<tr>
<td>Managerial ownership</td>
<td>Positive</td>
<td>Agency Theory</td>
<td>Agency costs decline when insider equity ownership rises because the financial interests of insiders and shareholders increasingly converge (Jensen and Meckling, 1976).</td>
</tr>
<tr>
<td>Negative</td>
<td>Entrenchment Theory</td>
<td>To the extent that the manager’s remuneration is tied to changes in firm value, an increase in the variance of the firm’s May (1995); Finkelstein and Hambrick (1989); Amihud and Lev (1981); Johnson et al. (1993)</td>
<td></td>
</tr>
</tbody>
</table>
earnings increases his or her employment risk. The managers whose main sources of income is from that firm, they will be more risk-averse (Amihud and Lev, 1981).

<table>
<thead>
<tr>
<th>Adjustment cost approach</th>
<th>Agency Theory and Entrenchment Theory</th>
</tr>
</thead>
<tbody>
<tr>
<td>No association or nonlinear</td>
<td>When the managers have small shareholding, ownership is positively related to firm value. But when they possess substantial stakes, they become entrenched (Fama and Jensen, 1983, Demsetz, 1983).</td>
</tr>
</tbody>
</table>

Demsetz (1983); Demsetz and Lehn (1985); Stulz (1988); Hill and Snell (1989); Agrawal and Knoeber (1996); Cheung and Wei (2006); Loderer and Martin (1997); Cho (1998); Himmelberg et al. (1999); Demsetz and Villalonga (2001); Rose (2005); Sundaramurthy et al. (2005); Benson and Davidson lii (2009); Davies et al. (2005)

---

<table>
<thead>
<tr>
<th>Positive Efficiency augmentation perspective</th>
<th>Institutional investors have better knowledge and capability to evaluate firms’ profitability, and often hire professionals to assess their investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negative Efficiency abatement perspective</td>
<td>Investors are passive, myopic and collusive (Drucker, 1986, Graves, 1988) Managers sometimes being put under pressure by institutional investors for successful short-term performance (Johnson and Greening, 1999)</td>
</tr>
</tbody>
</table>

Grossman and Hart (1980); McConnell and Servaes (1990); Baysinger et al. (1991); Hansen and Hill (1991); Bethel and Liebeskind (1993); Johnson et al. (1993); Daily and Dalton (1994); Bushee (1998); Wright et al. (1996); Wahal and McConnell (2000); Aghion et al. (2009)

Graves (1988); Graves and Waddock (1994); Chowdhury and Michael Geringer (2001)

| No Contingency Theory association | Contingency theories should be adopted to explain these relationships (Hansen and Hill, 1991) |

Craswell et al. (1997); Loderer and Martin (1997); Agrawal and Knoeber (1996); Sundaramurthy et al.
<table>
<thead>
<tr>
<th>Ownership concentration</th>
<th>Positive</th>
<th>PA Agency Theory</th>
<th>Dispersed ownership leads to “free-rider” issues, creating a situation where no individual has sufficient ownership to provide an incentive to monitor management and invest in the information costs necessary to ensure management act in shareholders’ interests</th>
<th>Hill and Snell (1988); Hill and Snell (1989); Francis and Smith (1995); Bethel and Liebeskind (1993); Lee and O Neill (2003); Baysinger et al. (1991); Davis (1991)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Negative</td>
<td>PP perspective</td>
<td>Large shareholders represent their own interests by taking advantage of the company’s resources and in turn violating minority investors’ rights</td>
<td>Agrawal and Knoeber (1996)</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>association</td>
<td></td>
<td>Demsetz and Lehn (1985); McConnell and Servaes (1990); Holderness and Sheehan (1988); Wright et al. (1996); Lee and O Neill (2003)</td>
</tr>
<tr>
<td>Board monitoring</td>
<td>Positive</td>
<td>Agency Theory</td>
<td>Board of directors influence a firm’s strategy and performance by effectively monitoring management on behalf of shareholders (Rechner and Dalton, 1991)</td>
<td>Tosi and Gomez-Mejia, 1994; Westphal, 1999</td>
</tr>
<tr>
<td></td>
<td>Negative</td>
<td>Stewardship Theory</td>
<td>Board of directors can influence a firm’s strategy and performance by serving as a sounding board for management</td>
<td>Gulati and Westphal (1999);</td>
</tr>
</tbody>
</table>
**Annex 4: List of Participants in Exploratory Study Phase**

<table>
<thead>
<tr>
<th>CEO name</th>
<th>Company</th>
<th>Controlling agency</th>
<th>Industry</th>
<th>Interview day (2012)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Nguyen Dinh Huynh</td>
<td>Danang Chemical industries joint stock company (Cico)</td>
<td>National Chemistry Corporation</td>
<td>Chemistry</td>
<td>24th July</td>
</tr>
<tr>
<td>2. Nguyen Van Can</td>
<td>Danabook</td>
<td>Danang city</td>
<td>Publishing</td>
<td>27th July</td>
</tr>
<tr>
<td>3. Phan Van Nhi</td>
<td>Seatecho</td>
<td>Danang city</td>
<td>Electric, electronics</td>
<td>31st July</td>
</tr>
<tr>
<td>4. Nguyen Dai Phong</td>
<td>Petrolimex Petrochemical Jsc, Danang branch</td>
<td>Petrolimex</td>
<td>Oil and gas</td>
<td>30th July</td>
</tr>
<tr>
<td>5. Le Van Phuong</td>
<td>Danang industrial gas and chemicals</td>
<td>National Chemistry Corporation</td>
<td>Chemistry</td>
<td>1st August</td>
</tr>
<tr>
<td>6. Nguyen Chanh</td>
<td>Danang Textiles JSC</td>
<td>Danang city</td>
<td>Textiles and garments</td>
<td>2nd August</td>
</tr>
<tr>
<td>7. Tran Phi</td>
<td>Cotimex Danang</td>
<td>Danang city</td>
<td>Trading</td>
<td>7th August</td>
</tr>
<tr>
<td>8. Bach Hoang Dung</td>
<td>Danang industrial trading company</td>
<td>Danang city</td>
<td>Trading</td>
<td>7th August</td>
</tr>
<tr>
<td>9. Le Van Hieu</td>
<td>SEATECH</td>
<td>No</td>
<td>Electric engineering</td>
<td>19th July and 23rd August</td>
</tr>
<tr>
<td>10. Truong Van</td>
<td>Vinatrans Danang</td>
<td>Yes</td>
<td>Cargo forwarding service</td>
<td>16th August</td>
</tr>
<tr>
<td>11. Le Truong Ky</td>
<td>Danang Investment and Construction Corporation (Dinco)</td>
<td>No</td>
<td>Construction</td>
<td>22nd August</td>
</tr>
<tr>
<td>12. Nguyen Duc Tri</td>
<td>Hoa Tho Textiles &amp; Garments Joint Stock Corporation</td>
<td>Yes</td>
<td>Textiles and Garments</td>
<td>13th September</td>
</tr>
<tr>
<td>13. Nguyen Thi Nguyet</td>
<td>29/3 Textiles and Garments JSC</td>
<td>Yes</td>
<td>Textiles and Garments</td>
<td>6th September</td>
</tr>
<tr>
<td>14. Nguyen Van Phuc</td>
<td>Danang Chemical and Electrical Materials Joint Stocks Company (Cemaco)</td>
<td>Yes</td>
<td>Synthetic Resins and Chemicals</td>
<td>5th September</td>
</tr>
<tr>
<td>15. Cao Chi Dung</td>
<td>Vinatour</td>
<td>Yes</td>
<td>Tourism</td>
<td>4th September</td>
</tr>
<tr>
<td>16. Luong</td>
<td>Danacam</td>
<td>Yes</td>
<td>Agricultural devices</td>
<td>4th September</td>
</tr>
</tbody>
</table>

**Annex 5: Interview Protocols in Exploratory Study**

*Part A – Identifying governance factors*

1. How did privatisation happen with your firm?
2. How has your firm changed since privatisation?
3. What factors most influenced the long-term investment as well as performance of your company?
4. Who are the most important investors? Why?
5. Please tell me role and influence of state-ownership on the growth and development of your company.
6. Please tell me the existing mechanisms of the board of directors which are likely to affect decision-making.

*Part B – Redefining the concept of CE*

1. How do you define the concept of “corporate entrepreneurship”?
2. Could you please describe the activities that your firm has implemented that you consider to be entrepreneurial activities?
Annex 6: Cover Letter

Dear Sir/ Madame,

I am a lecturer at Danang University of Economics and a doctoral student at Manchester Business School of The University of Manchester. I am inviting you to participate in a study on corporate entrepreneurship which will look first at the relationship between corporate governance and corporate entrepreneurship and firm performance.

This consent form provides information about the research study. I will be available to answer your questions and provide you with further explanations. The purpose of this study is to determine the relationship between ownership, board structure and corporate entrepreneurship. An analysis of the data collected through this study will assist me in identifying gaps between governance and entrepreneurship as well as firm performance. As such, the results from the study will enable me to offer the implications for the Government in adjusting their strategy and programs on equitilization and to provide the useful suggestions for the firms in determining changes necessary to better meet their goal of increasing their performance.

The study requires the completion of the research survey which should take approximately 30 minutes to complete.

Your participation in this study is entirely voluntary and will not affect your job status. The data collected will be used only for the intended and identified purpose of the study. All aspects of this research will be kept completely confidential. All results will be reported in terms of general findings and examples at the regional level only. There will be no information that will identify you as an individual within this study.

I will contact you soon by phone to get your approval. Should you agree to participate, we could set an appointment for the interview later. I enclose here the questionnaire and my short CV for you to check reference if necessary.

Thank you and sincerely yours,

Nguyen Thi My Huong

www.mbs.ac.uk
Annex 7: Questionnaire in English

Thank you for participating in this research. It is very important that you answer as accurately as you can. In most cases, you will be given a range from 1 to 6, and asked to choose the one that fits best. Even though none of the answers may fit your ideas exactly, choosing the response closest to your views will enable me to compare your answers more easily with those of other people. If at any time during the interview you are not clear about what is wanted, please ask me.

Now, we will start the interview.
Business environment

There are FIVE different sections in this questionnaire. The first section is about the business environment which will ask for your perceptions about the external environment within which your firm operates OVER THE LAST THREE YEARS. Please tell me whether you agree or disagree with each of the following statements. Consider a scale from 1 to 6, where 1 is 'Strongly disagree' and 6 is 'Strongly agree'.

1. The rate of product/service obsolescence in your industry is high
   - 1  2  3  4  5  6
2. In your industry, methods of production /providing service change often
   - 1  2  3  4  5  6
3. Your firm must change its marketing practices frequently
   - 1  2  3  4  5  6
4. You are diversified firms
   - 1  2  3  4  5  6
5. There is a GREAT DIFFERENCE amongst the products/services you offer, with regard to customers’ needs
   - 1  2  3  4  5  6
6. Market dynamism varies a great deal from one line of your business to the other
   - 1  2  3  4  5  6
7. Your business environment causes a great deal of threat to the survival of your company
   - 1  2  3  4  5  6
8. The actions of your key competitors are unpredictable
   - 1  2  3  4  5  6
9. The interference of central government causes major problems in your industry
   - 1  2  3  4  5  6
10. Overall, local government has provided strong support for firms in your region
    - 1  2  3  4  5  6
11. General macroeconomic contexts have not affected YOUR BUSINESS ACTIVITIES
    - 1  2  3  4  5  6

Corporate entrepreneurship

Now I am going to read several statements that will explore the business activities and strategies of your company OVER THE LAST THREE YEARS. I want you to tell me whether you agree or disagree with each. The scale ranges from 1 to 6, where 1 means ‘Strongly disagree’ and 6 means ‘Strongly agree’.

12. You spent heavily (well above your industry average) on research and development
    - 1  2  3  4  5  6
13. You introduced a large number of new products/services to the market
    - 1  2  3  4  5  6
14. You pioneered the development of products/services that are NEW to the firm and NEW to the Vietnamese market
    - 1  2  3  4  5  6
15. You used process technologies/service solutions that are similar to other companies
1 2 3 4 5 6

16. You established or invested in several new ventures
1 2 3 4 5 6

17. You diversified into new industries in Vietnam
1 2 3 4 5 6

18. You expanded your international operations significantly
1 2 3 4 5 6

19. You changed your competitive approach (strategy) for the business units
1 2 3 4 5 6

20. You initiated several programs to improve the productivity of your business units
1 2 3 4 5 6

21. You reorganized operations to ensure increased coordination and communication among your business units
1 2 3 4 5 6

22. You focused on improving the performance of your current business, rather than entering new industries
1 2 3 4 5 6

Firm performance

Now I would like to ask you about the performance of your company. How would you rate your firm’s performance over the last three years relative to that of your principal competitors?

23. Sales growth
1 2 3 4 5 6

24. Net profit margin
1 2 3 4 5 6

25. Growth in market share
1 2 3 4 5 6

Ceo-board ties

Now I would like to ask you about your relationship with your board of directors. Please indicate the number that best describes the relationship, where 1 means 'Minimal' and 6 mean 'Very high'. Please note here that 'outside directors' are members of the Board but not employees of the firm.

26. To what extent does the board MONITOR the top management’s strategic decision-making?
1 2 3 4 5 6

27. To what extent does the board FORMALLY evaluate your performance?
1 2 3 4 5 6

28. To what extent does the board DEFER to your judgment on final strategic decisions?
1 2 3 4 5 6

29. To what extent do you solicit BOARD ASSISTANCE in the formulation of corporate strategy?
1 2 3 4 5 6

30. To what extent do you use OUTSIDE DIRECTORS as a ‘sounding board’ on strategic issues?
1 2 3 4 5 6
31. To what extent does the board serve as a CEREMONIAL function (i.e. all major strategic decisions are taken by management with limited board involvement)?

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32. Over the last twelve months, how many board meetings have you held?

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33. In those board meetings over the last twelve months, how many times has one or more directors challenged your position on a strategic issue?

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34. How often over the last twelve months have you sought the advice and counsel of outside directors in discussions outside of board/committee meetings (by telephone or in person)?

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35. How many of the outside directors would you consider to be acquaintances or close friends/relatives?

- a. Acquaintances but not close friends/relatives:

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- b. Close friends/relatives:

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36. In making decisions, your board is usually:

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<th>4</th>
<th>5</th>
<th>6</th>
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</table>

[Diagram showing scale from Dependent on the CEO to Independent in action]
### Other information

1. **Are you willing to share the annual reports and prospectus of your company with me?**
   - [ ] Yes
   - [ ] No

2. **What is your gender?**
   - [ ] Male
   - [ ] Female

3. **Are you at the same time:**
   - [ ] Board chair
   - [ ] Board member

4. **Which of the following best describes your functional area within your organization? (Check only one)**
   - [ ] Finance/Accounting
   - [ ] HR/Legal
   - [ ] Marketing/Sales
   - [ ] Strategy
   - [ ] Information & Communication Technology

5. **How many years have you been working for this company?**
   - As a CEO...
     - [ ] Less than 1 year
     - [ ] 1-2 years
     - [ ] 2-5 years
     - [ ] 5-10 years
     - [ ] Over 10 years
   - In total...
     - [ ] Less than 1 year
     - [ ] 1-2 years
     - [ ] 2-5 years
     - [ ] 5-10 years
     - [ ] Over 10 years

6. **What is the industry that best describes your organization?**
   - Wholesale Trade
   - Agriculture, Forestry, Fishing and Hunting
   - Accommodation and Food Services
   - Mining, Quarrying, and Oil and Gas Extraction
   - Other Retail Trade
   - Professional, Scientific, and Technical Services
   - Education Service
   - Transportation and Warehousing
   - Information and Communication
   - Finance, Insurance, and Real Estate
   - Manufacturing
   - Health Care and Social Assistance
   - Public Administration
   - Other Services (except Public Administration)
   - Utilities

7. **Please provide your contact information**
   - Name:  
   - Email:  
   - Phone:
Khảo sát về tinh thần kinh doanh và lãnh đạo doanh nghiệp

Môi trường kinh doanh

Sau đây là một số nhận định về môi trường kinh doanh của Công ty Ông/ Bà trong BA NẤM QUA. Xin Ông/ Bà vui lòng cho biết ý kiến của mình bằng cách lựa chọn một trong các số từ 1 đến 6, trong đó 1 là “Hoàn toàn không đồng ý” và 6 là “Hoàn toàn đồng ý”.

1. Tốc độ lắc hậu của sản phẩm/ dịch vụ trong ngành chính mà công ty đang hoạt động là cao
2. Phương thức sản xuất/ Cách thức cung ứng dịch vụ trong ngành thường thay đổi
3. Công ty thường xuyên thay đổi các hoạt động marketing
4. Công ty hoạt động trong các ngành khác nhau
5. Công ty cung cấp nhiều loại hình sản phẩm/ dịch vụ để đáp ứng các thói quen mua sắm khác nhau của khách hàng
6. Tính NĂNG ĐÔNG của thị trường khác biệt nhau khá nhiều giữa các từng/ từng lĩnh vực sản phẩm
7. Môi trường kinh doanh có nhiều điều kiện thuận lợi cho công ty Ông/ Bà
8. Hành động của các đối thủ cạnh tranh chính của công ty là không thể dễ dàng dự đoán được
9. Sự cạnh tranh của công ty trong ngành, gây khó khăn cho lãnh đạo trong hoạt động của NGANH
10. Nhận chung, cạnh tranh đối phương hạ thấp tương cực cho các doanh nghiệp
11. Biết rõ chính sách VI MÔ không ảnh hưởng đến hoạt động của Công ty Ông/ Bà

Tính thần kinh doanh của doanh nghiệp

Sau đây là một số nhận định về hoạt động và chiến lược kinh doanh của Công ty Ông/ Bà trong BA NẤM QUA. Xin Ông/ Bà vui lòng cho biết ý kiến của mình bằng cách lựa chọn một trong các số từ 1 đến 6 với 1 là “Hoàn toàn không đồng ý” và 6 là “Hoàn toàn đồng ý”.

12. Đâu tư cho nghiên cứu phát triển của Công ty cao hơn rất nhiều so với mức bình quân trong ngành (so sánh ở Việt Nam)
13. Công ty đã đưa ra thị trường một số lựa chọn khác nhau các sản phẩm/ dịch vụ mới
14. Công ty đã điều trong việc phát triển các sản phẩm/ dịch vụ MỞ đối với thị trường Việt Nam và MỞ đối với công ty

Annex 8: Questionnaire in Vietnamese
15. Công ty đã sao chép/ sử dụng quy trình công nghệ của công ty khác 1 2 3 4 5 6
16. Công ty đã đầu tư hay góp vốn thành lập doanh nghiệp mới 1 2 3 4 5 6
17. Công ty đã tham gia vào nhiều ngành mới ở Việt Nam 1 2 3 4 5 6
18. Công ty đã mở rộng đáng kể hoạt động kinh doanh ra nước ngoài 1 2 3 4 5 6
19. Công ty đã thay đổi chiến lược cạnh tranh của các bộ phận kinh doanh hay của toàn công ty nội dung 1 2 3 4 5 6
20. Công ty đã triển khai một số hoạt động/ chuyển trend nhằm nâng cao hiệu quả của các bộ phận kinh doanh 1 2 3 4 5 6
21. Công ty đã cải cách cấu trúc để đảm bảo sự phối hợp đồng bộ và thông tin hiệu quả giữa các đơn vị kinh doanh 1 2 3 4 5 6
22. Công ty không tham gia vào các ngành mới mà chỉ tập trung phát triển hiệu quả hoạt động kinh doanh hiện tại 1 2 3 4 5 6

Hiệu quả kinh doanh

Sau đây là những câu hỏi tìm hiểu đánh giá của Ông/ Bà về hiệu quả hoạt động của Công ty trong 3 năm qua. Xin Ông/ Bà vui lòng chọn số từ 1 đến 6 trong đó 1 là hiệu quả thấp nhất và 6 là hiệu quả cao nhất.

Xin vui lòng lựa chọn một trong các số từ 1 đến 6 trong đó 1 là hiệu quả thấp nhất và 6 là hiệu quả cao nhất.

23. Tăng doanh số bán 1 2 3 4 5 6
24. Hệ số lợi nhuận ròng biên 1 2 3 4 5 6
25. Tăng thị phần 1 2 3 4 5 6

Quan hệ với hội đồng quản trị

Những câu hỏi sau tham khảo nhận định của Ông/ Bà về mối quan hệ của Ông/ Bà với Hội đồng quản trị. Xin Ông/ Bà vui lòng lựa chọn một trong các số từ 1 đến 6 để đánh giá đúng nhất mối quan hệ này, trong đó 1 là “Rất ít” và 6 là “Rất nhiều”. Xin vui lòng lưu ý rằng Thanh viên Hội đồng quản trị bên ngoài công ty là các thành viên không phải là quan li hay nhân viên của công ty Ông/ Bà.

26. Hội đồng quản trị nắm sát đến mức độ nào việc ra các quyết định chiến lược của Ban Giám đốc? 1 2 3 4 5 6
27. Hội đồng quản trị đánh giá hiệu quả làm việc của Ông/ Bà một cách chính thức ở mức độ nào? 1 2 3 4 5 6
28. Hội đồng quản trị NGHE THEO các đánh giá của Ông/ Bà ở mức độ nào trước khi đưa ra quyết định cuối cùng? 1 2 3 4 5 6
29. Trong việc hoach định chiến lược kinh doanh, Ông/ Bà TÌM KIỂM SƯ HỖ TRỢ của Hội đồng quản trị ở mức độ nào? 1 2 3 4 5 6
30. Ông/ Bà sử dụng các thành viên Hội đồng quản trị ở bên ngoài công ty làm “Ban tư vấn” cho các vấn đề chiến lược ở mức độ nào? 1 2 3 4 5 6
31. Hội đồng quản trị chỉ mang tính hình thức ở mức độ nào (có nghĩa là rất ít tham gia vào các quyết định chiến lược quan trọng của Ban giám đốc)?

32. Trong 12 tháng qua, Hội đồng quản trị tổ chức bao nhiêu cuộc họp?

33. Trong các cuộc họp của Hội đồng quản trị trong 12 tháng qua, có bao nhiêu lần Chủ tịch Hội đồng quản trị hay các thành viên Hội đồng quản trị chất vấn vai trò điều hành của Ông/ Bà trong các vấn đề chiến lược?

34. Trong 12 tháng qua đã có bao nhiêu lần Ông/ Bà tìm kiếm sự tư vấn của các thành viên Hội đồng quản trị ở bên ngoài qua các cuộc trò chuyện không chính thức (bằng điện thoại hay trực tiếp)?

35. Có bao nhiêu Thành viên Hội đồng quản trị ở bên ngoài công ty được Ông/ Bà coi là người quen hay người thân/ bạn thân?
   a. Người quen nhưng không phải là người thân/ bạn thân:
   b. Người thân/ bạn thân:

36. Khi cần quyết định một vấn đề thì Hội đồng quản trị thường
# Thông tin của quý ông/ bà và doanh nghiệp

1. Ông/ Bà có sẵn lòng cung cấp các báo cáo và bản báo cáo khác của công ty
   - Có
   - Không

2. Giới tính của Ông/ Bà là
   - Nam
   - Nữ

3. Ông/ Bà đồng thời là
   - Chủ tịch HĐ
   - Thành viên Hội đồng quản trị

4. Trong Công ty, Ông/ Bà chuyên sâu trong lĩnh vực nào (chỉ chọn một bộ phận)?
   - Tài chính/ Kế toán
   - Marketing/ Bán hàng
   - Công nghệ thông tin
   - Nhân sự/ Pháp lý
   - Sản xuất

5. Ông/ Bà đã làm việc trong Công ty hiện nay được bao lâu?
   - Vô tình cảm và giám đốc điều hành
     - chưa tới 1 năm
     - 1 năm - 2 năm
     - 2 năm - 5 năm
     - 5 năm - 10 năm
     - Trên 10 năm
   - Tổng thời gian từ trước đến nay
     - chưa tới 1 năm
     - 1 năm - 2 năm
     - 2 năm - 5 năm
     - 5 năm - 10 năm
     - Trên 10 năm

6. Công ty của Ông/ Bà thuộc ngành nào trong số những ngành sau đây (cọ thể chọn nhiều phương án)
   - Bán buôn
   - Các hoạt động bán lẻ khác
   - Công nghệ thông tin
   - Quản lý công
   - Nông Lâm Ngư Nghiệp
   - Dịch vụ chuyển đổi, Khoa học, Kỹ thuật:
   - Vận tải và khoa bài
   - Y tế và dịch vụ xã hội
   - Dịch vụ ăn uống và lưu trú
   - Giáo dục
   - Sản xuất chế tạo
   - Dịch vụ điện nước
   - Khai thác chế biến khoáng sản, dầu khí
   - Tài chính, Bảo hiểm, Bất động sản
   - Các dịch vụ khác (ngỡ ngoài quản lý công)

7. Thông tin liên hệ của Ông/ Bà
   - Tên: 
   - Email: 
   - Điện thoại: 

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Annex 9: Information Sheet in English
02. Does your company have the following bodies?

- Internal audit/Audit department
- Risk manager/Department/Team
- Internal controller/Control department
- External auditor

03. How many members of the board are the government officers?

- person(s)

04. Is chairperson representative of state ownership?

- The chairperson is not representative of state ownership
- The chairperson is representative of less than 20% of the State ownership
- The chairperson is representative of 20-35 percent of state ownership
- The chairperson is representative of 35 to 50 percent of state ownership
- The chairperson is representative of more than 50% of state ownership

05. Information of Chairperson:

- Proportion of shareholding (Individual)
  - %
- Gender
  - Male
  - Female
- Date of birth

Education

- Number of year working at the Chairperson position
  - year(s)
- Number of years working in the board
  - year(s)
- Number of years working at this firm
  - year(s)

III. Top management team (TMT)

Top management team is defined as top-level executives including the chief executive officer, chief operating officer, business unit heads and vice presidents (all executives listed in the management section of the prospectus are included).

01. Number of members in top management team

- person(s)

02. General manager / CEO:

- Function

- DOB

- Education

- Major

- Percentage of shareholding
  - %
- Number of years working for this firm
  - year(s)
- Number of management positions including the current position
  - (positions)

03. TMT member 2:

- Function

- DOB

- Education

- Major

- Percentage of shareholding
  - %
- Number of years working for this firm
  - year(s)
- Number of management positions including the current position
  - (positions)
### TMT member 3:

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<td>DOB</td>
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<tr>
<td>Education</td>
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<tr>
<td>Major</td>
<td></td>
</tr>
<tr>
<td>Percentage of shareholding</td>
<td>%</td>
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<tr>
<td>Number of years working for this firm</td>
<td>year(s)</td>
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<tr>
<td>Number of management positions including the current position</td>
<td>(positions)</td>
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<tr>
<td>Number of years working in the current TMT</td>
<td>year(s)</td>
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### TMT member 4:

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<tr>
<td>Education</td>
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<tr>
<td>Major</td>
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<tr>
<td>Percentage of shareholding</td>
<td>%</td>
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<tr>
<td>Number of years working for this firm</td>
<td>year(s)</td>
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<tr>
<td>Number of management positions including the current position</td>
<td>(positions)</td>
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<tr>
<td>Number of years working in the current TMT</td>
<td>year(s)</td>
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If the number of Top management team members is more than 5 members, please provide information at Section V (on page 5).
### IV. Firm performance

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
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<tbody>
<tr>
<td><strong>01. Sale growth</strong></td>
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<td><strong>02. Financial ratios</strong></td>
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<td>ROS</td>
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<td>ROE</td>
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<td>Debts-to-Equity</td>
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<td>Current ratio (Current assets/Current liability)</td>
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<td><strong>03. Balance sheet and profit/loss statement</strong></td>
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<tr>
<td>Number of outstanding shares</td>
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<td>Total assets</td>
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<td>Total revenue</td>
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<td>Net profit</td>
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<td>R&amp;D investment</td>
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<tr>
<td>New subsidiaries or affiliated companies</td>
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<tr>
<td>Number of M&amp;A</td>
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<tr>
<td>Number of new investments</td>
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<tr>
<td>Number of new products launch</td>
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### V. Top management team (cont.)

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<tr>
<th><strong>TMT member 6:</strong></th>
<th><strong>TMT member 8:</strong></th>
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Annex 10: Information Sheet in Vietnamese

Thành tin công ty

I. Thông tin chung

01. Năm thành lập
02. Năm cộ phân hóa
03. Tổng số lao động thường xuyên
04. Trụ sở chính tại
- Hà Nội
- Hồ Chí Minh
- Đà Nẵng
- Khác (Vui lòng ghi rõ)

05. Cơ đóng.length
- Nhà nước
- Tổ chức (ngoại Nhà nước)
- Cá nhân

06. Tỷ lệ vốn góp của 5 nhà đầu tư lớn nhất (bao gồm cờ đóng nhà nước)

07. Tỷ lệ vốn góp của các cờ đóng
- Nhà nước %
- Tổ chức %
- Cá nhân %

II. Hội đồng quản trị

01. Số thành viên Hội đồng quản trị
- Số thành viên Hội đồng quản trị là thành viên Ban giám đốc
- Số thành viên Hội đồng quản trị không phải là Cán bộ, công nhân viên của công ty
- Số thành viên Hội đồng quản trị là thành viên ngoại nhưng có mối liên hệ kinh doanh với công ty

Số thành viên HDQT đại diện cho các nhà đầu tư tổ chức
- Số thành viên HDQT đại diện cho các nhà đầu tư tổ chức có mối liên hệ kinh doanh với công ty
- Số thành viên HDQT là thành viên của Hội Đồng Đầu Tư của các quả đầu tư và công ty chứng khoán
- Số thành viên HDQT không có cổ phần tại công ty

Tên công ty:
II. Ban điều hành/ Ban giám đốc

Ban điều hành/ Ban giám đốc là các thành viên cấp cao của công ty bao gồm Tổng giám đốc (đối với Tập đoàn, Tổng công ty)/ Giám đốc (đối với công ty độc lập), các giám đốc điều hành, trưởng các đơn vị kinh doanh, các phó (tổng) giám đốc (tất cả thành viên được nêu ở phần Ban điều hành/ Ban giám đốc của Ban cão bộ).

01. Số thành viên trong Ban điều hành

người

02. Tổng giám đốc/ Giám đốc:

Chức vụ hiện tại

Năm sinh

Trình độ

Chuyên môn

Ty lệ sở hữu/ Số cổ phần nắm giữ

% 

Số năm làm việc tại công ty

năm

Số vị trí quản lý đạt kinh quả (bao gồm vị trí hiện tại)

vị trí

03. Số năm làm việc trong Ban điều hành/ Ban Giám đốc

năm

III. Thông tin Chủ tịch Hội đồng quản trị:

Ty lệ sở hữu (Cá nhân)

% 

Giới tính

Nam

Nữ

Năm sinh

Trình độ

Thời gian làm việc với tư cách là Chủ tịch HĐQT

năm

Thời gian tham gia vào HĐQT

năm

Tổng thời gian làm việc tại công ty

năm

05. Thông tin Chủ tịch Hội đồng quản trị:

Ty lệ sở hữu (Cá nhân)

% 

Giới tính

Nam

Nữ

Năm sinh

Trình độ

Thời gian làm việc với tư cách là Chủ tịch HĐQT

năm

Thời gian tham gia vào HĐQT

năm

Tổng thời gian làm việc tại công ty

năm
### IV. Hiệu quả tài chính

<table>
<thead>
<tr>
<th>01. Tổng trưởng doanh thu</th>
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<td>Tỷ lệ cổ tức/ Vốn điều lệ</td>
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<td>Tỷ lệ LN sau thuế/ Vốn chủ sở hữu</td>
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<td>Hệ số thanh toán ngắn hạn (Tài sản lưu động/ Nợ ngắn hạn)</td>
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<td>Tổng giá trị tài sản</td>
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<td>Doanh thu thuận</td>
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<tr>
<td>Quỹ đầu tư nghiên cứu phát triển</td>
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<td>Số cổ công ty mua lại từ các công ty khác</td>
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<td>Số dự án đầu tư MÔI (tính theo thời điểm khơi công)</td>
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## IV. Hiệu quả tài chính

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<td>Số loại sản phẩm MÔI</td>
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Annex 11: Translation, Expert Review and Pre-testing

In line with recommendation by Brislin (1986), the survey instrument was translated into Vietnamese and back-translated into English in order to ensure the correct meanings of the questions. The questionnaires in Vietnamese were then reviewed by experts and subsequently pre-tested on CEOs of privatised firms who were not involved in the final sample. Figure 18 demonstrates the steps implemented to translate and validate the questionnaire provided by (Beaton et al., 2000). The specific procedure for translating the questionnaire is presented in Annex 11. The following section discusses the procedures on expert review and pretesting.

**Step 1:** The first stage is the forward translation. Two translators participated in translating the instrument from English to Vietnamese. The reason for using two translators is to compare the translations and recognise the discrepancies that may reflect more ambiguous wording in the original. Poorer wording choices were then identified and resolved in a discussion between the translators. The first translator is the business teacher who is aware of the concepts being examined in the questionnaire being translated. The second translator is neither aware nor informed of the concepts being quantified and has no background in business and entrepreneurship. This person is called a naive translator; she is more likely to detect different meanings of the original than the first translator. This translator is less influenced by an academic goal. She tends to offer a translation that reflects the language used, often highlight ambiguous meanings in the original questionnaire (Beaton et al., 2000).

**Step 2: Synthesis of the Translations**

The two translators and the researcher together synthesised the results of the translations. Working from the original questionnaire as well as the first translator’s (T1) and the second translator’s (T2) versions, a synthesis of these translations were conducted. At the meeting, two translators checked carefully item by item to see whether they have any divergence in translating the items. They discussed on the words, phase or sentence in which they are different in translating. I attended the meeting, but I only gave comments when they asked for clarification.

**Step 3: Back translation**

Working from the T-12 version of the questionnaire without having access to the original instrument, a translator then translated the questionnaire back into the original language. This process is for validity checking that ensure conceptual equivalence to the English original instrument (Brislin, 1986). This step often identifies unclear wording in the translations. The main reasons for back-translations are also to avoid information bias and to elicit unexpected meanings in the translated questionnaire (T-12).
Although two translators including one Vietnamese American and one Vietnamese Australian were asked to support the study on back-translation, one of them could not conduct the job due to personal issue. Therefore, Vietnamese Australian participated in back-translation. The translator were neither aware nor informed of the concepts explored, and did not have a business background.

Finally, the two English versions were compared, but only few changes were made to Vietnamese version.

**Step 4: Expert Committee**

According to Beaton et al. (2000), the expert committee’s role is to review and consolidate all the versions of the questionnaire and develop what would be considered the pre-final version for field testing. I chose to work individually with two senior lecturers at Department of Business Administration, Danang University of Economics. As both of these lecturers have frequent interaction with students in strategy courses, they were very helpful in ensuring the equivalence between the original and the Vietnamese version. The experts reviewed the revised back-translated questionnaire carefully. On the basis of the feedback, I worded some items, especially the terminologies, to ensure clarity.

![Figure 18: Graphic representation of stages of translation and cultural adaptation; Source: Beaton et al. (2000)](image)

**Step 5: Test of the Pre-final Version**

A pre-test of the research instrument was conducted in order to modify the constructs so that they are applied adequately in a Vietnamese context and ensure clarity and correct interpretation.
of the instrument. Four pre-test respondents were interviewed for feedback regarding the clarity and intent of the survey items. Results were evaluated prior to finalizing the research instrument. Four CEOs participating in pre-testing followed the procedures described hereafter.

The goal of pre-testing methods is to identify and fix overt problems experienced by both interviewer and respondents. In Presser et al. (2004), the authors noted the drawbacks of conventional pre-testing, whereby the researchers typically rely on intuition and experience in judging the seriousness of problems and deciding how to revise questions that are thought to have flaws. In order to improve the quality of the questionnaire and to reduce measurement errors, this study applied new techniques of pre-testing, called cognitive interviewing (see DeMaio and Rothgeb, 1996, Forsyth and Lessler, 1991, Willis, 2005). Ordinary interviews focus on producing codable responses to questions. Cognitive interviews, by contrast, focus on the mental processes that respondents use to answer questions (Willis et al., 1991, Collins, 2003). The objective is to reveal the thought processes involved in interpreting the question and arriving at an answer. These thoughts are then analysed to diagnose problems (Presser et al., 2004). The two main techniques include “think-aloud” and, probing (Willis, 2005). In the think-aloud approach, the respondent is asked to “think-aloud” when she or he answers the question or completes the questionnaire. Meanwhile, the probing method involves the interviewer asking specific questions, or probes, which are designed to elicit how the respondent went about answering the question (Collins, 2003). As Campanelli (1997) suggested, follow-up probing could be employed as a complement to the “think-aloud” technique, I used both “thinking aloud” and probing techniques in this study.

As Fowler Jr (2008, p. 118), suggested, the respondents participating in the cognitive interviews should be volunteers, thus being willing to expend more time than the data collection itself actually involves, in order to help the researchers understand how the questions work. Four friends of the researcher, currently CEOs of medium or large firms in Danang city, were invited to participate in the cognitive interviews. The CEOs were asked to go through the questionnaire and “think aloud” as they responded to the questions (Forsyth and Lessler, 1991). This procedure allowed us to assess the understandability of the questions, the amount of effort required by respondents to interpret the questions, and any confusion that could potentially arise from the items (Jarvenpaa, 1989). On the basis of these interviews, the questionnaire was refined, and ambiguous or poorly worded questions were improved and language made less biased. The final questionnaire has become more relevant and comprehensible for respondents. Information for all participants involved in translation, expert review and pre-testing is indicated in the Annex 12.
Annex 12: Lists of Participants in Designing Questionnaire

<table>
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<th>Step</th>
<th>Description</th>
<th>Participants</th>
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<td>Translation</td>
<td>Tran Thi Lien, Lecturer of English, Language School, University of Danang</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Truong Tran Tram Anh, Lecturer of Marketing, Business School, University of Danang</td>
</tr>
<tr>
<td>2</td>
<td>Synthesis of Translations</td>
<td>Researcher</td>
</tr>
<tr>
<td>3</td>
<td>Back translation</td>
<td>Nguyen Hoang Thao Nguyen, Legal Officer of Attorney-General’s Department, Australian</td>
</tr>
<tr>
<td>4</td>
<td>Expert review</td>
<td>Doan Thi Lien Huong, Lecturer of Financial Management, Project Management, Business School, University of Danang</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Nguyen Thanh Liem, Lecturer of Marketing, Business School, University of Danang</td>
</tr>
<tr>
<td>5</td>
<td>Pretest</td>
<td>Tran Dinh Quan, SQ Vietnam</td>
</tr>
<tr>
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<td></td>
<td>Phan Hai, BQ Manufacturing and Trading Limited</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Le Van Hieu, Seatech Equipment Company</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mai Van Quang, Asiatrans Vietnam</td>
</tr>
</tbody>
</table>

Annex 13: Pre-testing Protocol

Pretesting protocol

A. Introduction:
Thank you for agreeing to participate in this research. I am a PhD candidate at Manchester Business School. I am investigating some issues, such as ownership, entrepreneurial activities or firm performance of your company. Your reactions to this form will provide me with information that will help me to make the form as easy for the official interview as possible.

B. Explain procedure:
In a couple of minutes, I am going to hand you a questionnaire. I will then go through the questionnaire by asking you the questions from the form. When I do, I would like you to talk out loud about your reactions to the questions I read during the interview. Talking out loud about these sorts of things may seem a little unusual, so, I will offer you a practice interview. When we carry this out, please tell me everything you are thinking as you look at the form. I will then start to interview you and I would like to know any thoughts you have about whether it strikes you in a favorable or unfavorable way, whether it is clear about what to do, what not to do, and so forth.

C. Hand the practice questionnaire:
OK. (I read the introduction and the first section of the interview). Please tell everything you are thinking about while you are listening to the questions.
(Ask the respondents, “Tell me everything, whether it’s clear what to do or not do, anything you don’t understand, or anything that seems strange”).

D. Hand the questionnaire to respondent
Now, here is the questionnaire that is used for the interview. Please take your time and tell me any reactions you have to everything that you hear from me and see in front of you.

E. I start to introduce and read the first section of the questionnaire
Please talk out loud and stop me when you have any thoughts on any questions. Please go ahead.
Annex 14: Operationalization of CE Measures

Prior research used several different measures for the variables related to this study. Also, the measures widely used were mostly tested in developed economies. Therefore, this research had to refine the constructs by carefully selecting the items and using the interviews to refine the measures. Interviews will be used to check whether there are any items that need to be removed or added into the selected item pool.

There are several theoretical and empirical studies on the firm-level entrepreneurship where the authors have used the definition and measures inconsistently (Zahra et al., 1999). As mentioned earlier in Chapter 3, there are also several labels attached to this phenomenon. The authors mainly used the conceptualisation and measures initially developed by Khandwalla (1977), and Miller and Friesen (1982b). However, measures developed by Miller and Friesen (1982b) and published in Miller (1983) and extended by Covin and Slevin (1988) are most widely used. The researchers had a variety of ways of combining the constructs, depending on their specific research objectives and contexts. Although there have been many different classifications of the construct of firm-level entrepreneurship, there are two groups of dimensions that indicate the firm-level entrepreneurship or entrepreneurial orientation. The first group used widely in the studies about entrepreneurial orientation has three dimensions: risk-taking, innovativeness and pro-activeness. The measure used mostly widely is the measure refined by Covin and Slevin (1989). The second stream of studies is research on CE, led by Zahra (1991) and well validated and refined in Zahra (1996a). The second stream has three dimensions: innovation, venturing and strategic renewal. This research stream focuses on the changes involving the creation of new business or the reconfiguration of existing businesses (Sharma and Chrisman, 1999). In this study, I used the definition reconciled by Sharma and Chrisman (1999), which is associated with the measure developed and refined by Zahra.

This study will combine two measures developed by Zahra, which examined the relationship between corporate governance and CE in different organizational contexts. The first measure developed in Zahra (1996a) has 14 items with three scales: innovation (creating and introducing...
products, production processes, and organizational methods); venturing (expanding operations in existing or new markets); and strategic renewal (changing the scope of a business and/or its competitive approaches). The second measure developed in Zahra et al. (2000b) has 22 items with five scales: organizational innovation, product innovation, process innovation, international venturing and domestic venturing. These items pool is demonstrated in Annex 15.

As mentioned earlier, to reduce the monotonousness of the interview, the questionnaire is designed in the way to minimise the number of questions in the questionnaire. On the other hand, because the content of the questionnaire requires to respondents to rationale critically to provide appropriate answers, a long questionnaire may raise the burden for the respondents and therefore, may reduce their ability to provide the correct answer (Carver, 1997). Therefore, although the prior research criticises on scales with less five items (Endler and Parker, 1990), there are only three or four items are selected to reflect each variable in this study. Although two groups of CE measures of Zahra are different, they both assess the innovativeness; venture creating activities and reconfiguration of the organisation. Further, within each scale, the item content is sometime redundant. I analysed the content of each item and select the most appropriate items for the current study (Annex 15). I use the two three criteria to select the items. The first criterion is that the item must have high loading on the original scales of Zahra. The second criterion is based on information from the interviews with CEOs from exploratory study, which shows the inappropriateness of some items in the context of Vietnam. In addition, I also checked the item loading on the relevant factor in the study by Yiu et al. (2007) and Yiu and Lau (2008)—two studies that are conducted in China, a similar transition economy with Vietnam.

| **Zahra (1996a)**—14 items |
|----------------------------------|-----------------|
| Spend heavily (well above your industry average) on research and development (R&D) | Innovation |
| Maintain world-class research and development (R&D) facilities. | Innovation |
| Introduce a large number of new products to the market. | Innovation |
| Acquire significantly more patents than its major competitors. | Innovation |
| Pioneer the development of breakthrough innovations in its industry. | Innovation |
| Enter many new industries. | Venturing |
| Expand its international operations significantly. | Venturing |
| Acquire many companies in very different industries. | Venturing |
| Establish or sponsor several new ventures. | Venturing |
| Focus on improving the performance of its current business, rather than entering new industries. | Venturing |
| Divest several unprofitable business units. | Strategic renewal |
| Change its competitive approach (strategy) for each business units. | Strategic renewal |
| Initiate several programs to improve the productivity of business unit. | Strategic renewal |
| Reorganize operations to ensure increased coordination and communication among business units. | Strategic renewal |

| **Zahra et al. (2000)—22 items** |
|----------------------------------|-----------------|
| Being the first company in your industry to introduce new products to the market | Product Innovation |
| Creating radically new products for sale in new markets | Product Innovation |
| Creating radically new products for sale in the company’s existing markets | Product Innovation |
| Commercializing new products | Product Innovation |
| Investing heavily in cutting edge product-oriented R&D | Product Innovation |
| Investing heavily in cutting edge process technology-oriented R&D | Process Innovation |
| Being the first company in the industry to develop and introduce radically new technologies | Process Innovation |
| Pioneering the creation of new process technologies | Process Innovation |
| Copying other companies’ process technologies (reserved) | Process Innovation |
| Being the first in the industry to develop innovative management systems | Organizational Innovation |
| Being the first in the industry to introduce new business concepts and practices | Organizational Innovation |
| Changing the organizational structure in significant ways to promote innovation | Organizational Innovation |
| Introducing innovative human resource programs to spur creativity and innovation | Organizational Innovation |
| Entering new domestic markets | Domestic venturing |
| Promoting new domestic business creations | Domestic venturing |
| Diversifying into new industries in the U.S. | Domestic venturing |
| Supporting domestic new venture activities | Domestic venturing |
| Financing domestic start-up business activities | Domestic venturing |
| Entering new foreign markets | International venturing |
| Expanding your international operations | International venturing |
| Supporting start-up business activities dedicated to international operations | International venturing |
### Annex 15: Selection of Items for CE Measures

<table>
<thead>
<tr>
<th>Reference</th>
<th>Items</th>
<th>Explanations</th>
</tr>
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<tbody>
<tr>
<td><strong>Innovation</strong></td>
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<tr>
<td>Zahra (1996a)</td>
<td>Spend heavily (well above your industry average) on research and development (R&amp;D)</td>
<td>Factor loading of 0.83 in the original factor analyses, high factor loadings on two similar items in Yiu et al. (2007).</td>
</tr>
<tr>
<td>Zahra (1996)</td>
<td>Maintaining world-class research and development (R&amp;D) facilities.</td>
<td>Not appropriate to the Vietnamese context (Interviews)</td>
</tr>
<tr>
<td>Zahra (1996)</td>
<td>Introducing a large number of new products to the market.</td>
<td>Factor loading of 0.71 in the original factor analyses and approximately 0.6 in two studies in emerging market (Yiu et al., 2007, Yiu and Lau, 2008)</td>
</tr>
<tr>
<td>Zahra (1996)</td>
<td>Acquiring significantly more patents than its major competitors.</td>
<td>Not appropriate to the Vietnamese context (Interviews)</td>
</tr>
<tr>
<td>Zahra (1996)</td>
<td>Pioneering the development of breakthrough innovations in its industry.</td>
<td>The factor loading is not high in original analyses (0.53) but very in Yiu et al. (2007) (0.84).</td>
</tr>
<tr>
<td>Zahra et al. (2000)</td>
<td>Copying other companies’ process technologies (reserved)</td>
<td>Factor loading of -0.65 in the original factor analyses, appropriate with Vietnamese context</td>
</tr>
<tr>
<td>Zahra et al.</td>
<td>Creating radically new products for sale in new market</td>
<td>Redundant with the item “Introducing a large number of new products to the market”</td>
</tr>
<tr>
<td>(2000)</td>
<td>Creating radically new products for sale in the company’s existing markets</td>
<td>Redundant with the item “Introducing a large number of new products to the market”</td>
</tr>
<tr>
<td>Zahra et al.</td>
<td>Changing the organizational structure in significant ways to promote innovation</td>
<td>Factor loading is 0.6 in original factor analyses and 0.55 in Yiu and Lau (2008), relatively small in both studies.</td>
</tr>
<tr>
<td>(2000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Venturing</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zahra et al.</td>
<td>Diversifying into new industries in Vietnam</td>
<td>Factor loading of 0.67 in original factor analyses and 0.7 in Yiu et al. (2007).</td>
</tr>
<tr>
<td>(2000b)</td>
<td>Acquire many companies in very different industries.</td>
<td>Not appropriate to the Vietnamese context when the economy is in recession (Interviews)</td>
</tr>
<tr>
<td>Zahra (1996a)</td>
<td>Focus on improving the performance of its current business, rather than entering new industries.</td>
<td>Reversed-coded item, necessary for cross-checking the validity, appropriate to Vietnamese context. Though the factor loading in original one is low (0.53), loading in Yiu et al. (2007) is relatively high (0.81).</td>
</tr>
<tr>
<td>Zahra et al.</td>
<td>Financing domestic start-up business activities</td>
<td>Factor loadings in three studies are not high (0.56 in original factor analyses), but this item is necessary to capture the domestic venturing activity.</td>
</tr>
<tr>
<td>(2000)</td>
<td>Entering new foreign markets</td>
<td>Factor loading is high in original analyses, but very low in Yiu and Lau (2008) (0.39)</td>
</tr>
<tr>
<td>Zahra et al.</td>
<td>Expanding your international operations</td>
<td>Appropriate to Vietnamese firms</td>
</tr>
</tbody>
</table>
| (2000)            | Supporting start-up business activities                              | Redundant to the item “Expanding your
(2000) dedicated to international operations international operations

Zahra et al. (2000) Financing start-up business activities dedicated to international operations Redundant to the item “Expanding your international operations”

Strategic renewal

Zahra (1996a) Divest several unprofitable business units Not appropriate to Vietnamese firms

Zahra (1996) Change its competitive approach (strategy) for each business units Factor loading is 0.62 in original factor analyses, but relatively high in Yiu et al. (2007) (0.80)

Zahra (1996) Initiate several programs to improve the productivity of business units Factor loading is relatively high in Yiu et al. (2007) (0.78)

Zahra (1996) Reorganize operations to ensure increased coordination and communication among business units Factor loading is 0.62 in original factor analyses, but relatively high in Yiu et al. (2007) (0.79)

### Annex 16: Environmental Dimensions

<table>
<thead>
<tr>
<th>Authors</th>
<th>Constructs</th>
<th>Perceptual/ Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bourgeois III (1985)</td>
<td>Volatility</td>
<td>Perceptual/ Objective</td>
</tr>
<tr>
<td>Synder and Glueck (1982)</td>
<td>Volatility</td>
<td>Perceptual/ Objective</td>
</tr>
<tr>
<td>Tosi et al. (1973)</td>
<td>Volatility</td>
<td>Objective</td>
</tr>
<tr>
<td>Staw and Szwajkowski (1975)</td>
<td>Munificence Scarcity</td>
<td>Objective</td>
</tr>
<tr>
<td>Dess and Beard (1984)</td>
<td>Munificence Complexity Dynamism</td>
<td>Objective</td>
</tr>
<tr>
<td>Keats and Hitt (1988)</td>
<td>Munificence Complexity Instability (Dynamism)</td>
<td>Objective</td>
</tr>
<tr>
<td>Duncan (1972)</td>
<td>Complexity Dynamism</td>
<td>Perceptual</td>
</tr>
<tr>
<td>Tung (1979)</td>
<td>Complexity Movement Routineness of problem/ Opportunity states</td>
<td>Perceptual</td>
</tr>
<tr>
<td>Khandwalla (1977)</td>
<td>Hostility (3 items)</td>
<td>Perceptual</td>
</tr>
<tr>
<td>Miller and Friesen (1982a)</td>
<td>Dynamism Heterogeneity Hostility</td>
<td>Perceptual</td>
</tr>
<tr>
<td>Daft et al. (1988)</td>
<td>Environmental uncertainty</td>
<td>Perceptual</td>
</tr>
</tbody>
</table>

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9 Taken from Dess et al. (1990)
Annex 17: Selection of Item Pools for Environment Measures

The measures of environmental construct that is used most in the research area of entrepreneurship are the ones developed by Khandwalla (1977) and Miller and Friesen (1982a). This measure was particularly used for investigating entrepreneurial firms, which were later on used widely in studies about entrepreneurship (e.g., Zahra, 1991, 1993b, Zahra and Covin, 1995, Shaker A, 1996, Zahra and Bogner, 1999). In their first study in Miller and Friesen (1982a), the constructs of dynamism, heterogeneity and hostility had 5, 4 and 6 items, respectively. However, the scholars employed different combinations of dimensions and items, although all measures were based on the original scale by Miller and Friesen (1982a). The researchers have different arguments for their choice of measures. Some studies used the measure by Miller and Friesen (1982a), some the measure by Khandwalla (1977) and some others combine these two measures (e.g., Lumpkin and Dess, 2001).

In particular, Zahra focused on the relationship between environment and performance as well as the moderating of environment on the relationship between CE on performance, or even corporate governance and firm performance. The measure he mostly used was Miller’s. However, he used a different set of items depending on the research objectives. For example, in some studies related to the relationship between technology strategy and financial performance (Zahra, 1996b), Zahra used Miller and Friesen’s 15 item measure (1982). In other studies (Zahra, 1991, S.A. Zahra, 1996, Zahra and Bogner, 1999), he used the 12-item measure developed and validated by Miller and Friesen (1982a) and applied in Miller et al. (1984). However, in Zahra (1993b) which specifically aimed to examine the association between environment and CE, Zahra only used two dimensions, munificence and hostility, which embody several factors. Otherwise, more recently, in Zahra et al. (2002), the research used the more complicated measure developed by Daft et al. (1988), who measure the external environment through a one-dimensional construct called environmental uncertainty.

As a consequence of justification process, I will use 9 items on dynamism and heterogeneity and use the item set by Khandwalla (1977) for hostility. However, to better reflect the institutional environment of a transitioning economy, I add one item about government interference and one item about legal, political and economic constraint from Miller (1987): “Legal, political and economic constraints (e.g. government regulations) have profiterated greatly over the past five years.”

To search for the appropriate measures, I followed two steps. Firstly, I organised the measures according to three dimensions and considered how the later studies apply and validate the measures. Secondly, I listed some prominent studies specifically in CE and checked its validity in the context of emerging economies. As a result, I found that the measures, that were widely used
and validated in the studies were the measures initially developed by Miller and Friesen (1982a). These measures were refined for use in the transition markets by Tan and Litsschert (1994). However, given the highest priority for simplicity of the measures, I employed the measures developed by Miller et al. (1984). These measures have 3, 3, and 5 items for dynamism, heterogeneity and hostility. I dropped two items from hostility to prevent the boringness for respondents as mentioned earlier (Table 10). However, given the fact that local government have effect on a firm’s strategy and performance (Nguyen et al., 2013), one item was added to measure the treatment of local government from CEOs’ perception. Finally, another item to measure how CEOs evaluate of the macro environment was added. In total, 11 items are designed to measure the environmental factors.
Annex 18: Interview Protocol for Board Members

<table>
<thead>
<tr>
<th>Interview protocol for board members</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Research Question 1: How does board structure influence CE?</strong></td>
</tr>
<tr>
<td><strong>Topic: Current board</strong></td>
</tr>
<tr>
<td>- What are your attitudes, responsibilities regarding being a member of the board of your company?</td>
</tr>
<tr>
<td>- How do you engage in/contribute to the activities of the board?</td>
</tr>
<tr>
<td>- How is your time spending for the firm as a board member?</td>
</tr>
<tr>
<td>- How do you engage in/contribute to the ideas of the board?</td>
</tr>
<tr>
<td>- In your opinion, how do the board members work at this company as a member of BOD?</td>
</tr>
<tr>
<td>- What do you think about the role and ability of the other members?</td>
</tr>
<tr>
<td>- What do you think about how the board acts on behalf shareholders?</td>
</tr>
<tr>
<td><strong>Topic: Board and CE</strong></td>
</tr>
<tr>
<td>- According to you, where do entrepreneurial ideas come from? More from BOD or from the TMT?</td>
</tr>
<tr>
<td>- How were the entrepreneurial ideas raised, considered and accepted in the BOD?</td>
</tr>
<tr>
<td>- From your experience, what factors influence the board’s willingness to adopt innovation opportunities or support renewal, invest in new projects or ventures?</td>
</tr>
<tr>
<td>- Generally, is the board too risk-taking or insufficiently risk-taking? Did the firm invest enough in innovation? Why? Should they renew the company more often? Or should they maintain more stability?</td>
</tr>
<tr>
<td>- How well did the board perform in making entrepreneurial decisions?</td>
</tr>
<tr>
<td>- Have you ever faced any difficulties when you proposed any new ideas on innovation or renewal? What was the main reason for this difficulty?</td>
</tr>
<tr>
<td>- What changes would you like to see on your board that would best support CE?</td>
</tr>
<tr>
<td><strong>Topic: board composition</strong></td>
</tr>
<tr>
<td>- How would you describe the board structure and its relationship with innovation, strategic renewal?</td>
</tr>
<tr>
<td>- Who plays the most important role in the promotion of CE?</td>
</tr>
<tr>
<td>- What is the role of outside representatives on the board to CE?</td>
</tr>
<tr>
<td>- Do you want to have more inside or outside representation on the board?</td>
</tr>
<tr>
<td>- What changes would you like to see on your board that improves CE?</td>
</tr>
<tr>
<td><strong>Exceptional case: CEO duality</strong></td>
</tr>
<tr>
<td>- Do you think CEO duality is good or bad for CE?</td>
</tr>
<tr>
<td><strong>Research Question 2: How does ownership affect CE?</strong></td>
</tr>
<tr>
<td><strong>Topic: Ownership</strong></td>
</tr>
<tr>
<td>- What are your views about ownership structures of the firm?</td>
</tr>
<tr>
<td>- According to you, is this structure good or not? Why? Your suggestions?</td>
</tr>
<tr>
<td>- Who is the most important shareholder?</td>
</tr>
<tr>
<td>- If this shareholder is a group, how do their representatives work in the board?</td>
</tr>
<tr>
<td>- What should be changed in terms of ownership structure to create more initiatives for CE?</td>
</tr>
<tr>
<td><strong>Topic: Managerial ownership</strong></td>
</tr>
<tr>
<td>- How does CEO support the activities/decisions that require high level of risk-taking such as creation of a new venture, develop a new product or change the current strategy?</td>
</tr>
<tr>
<td>- From your viewpoint, how does the CEO act on behalf of shareholders?</td>
</tr>
<tr>
<td>- What do you think about the motivation of the CEO in aligning their own benefits and those of the shareholders?</td>
</tr>
<tr>
<td>- What are your thoughts on the current level of ownership of managers?</td>
</tr>
<tr>
<td>- Do you think a higher rate of ownership by managers will enhance the productivity and risk-taking of senior managers?</td>
</tr>
<tr>
<td><strong>Topic: Concentrated ownership</strong></td>
</tr>
<tr>
<td>- From your experience, do you think ownership should be concentrated or dispersed? Why?</td>
</tr>
<tr>
<td><strong>Topic: Institutional ownership</strong></td>
</tr>
<tr>
<td>- Can you share your thoughts on the roles of institutional shareholders? Will the company be more innovative, with higher level of institutional ownership?</td>
</tr>
<tr>
<td>- Is institutional ownership effective without having their representatives on the board?</td>
</tr>
</tbody>
</table>
Research Question 3: How does Board monitoring affect CE?

**Topic: CEO—board relationship**
- What is your relationship with the CEO?
- How would you describe the relationship between the board and CEO; and between you and CEO? Are there conflicts between the board and CEO?
- What do you see as the main challenges in monitoring the CEO?

**Topic: Board monitoring and CE**
- To what extent do you support CEO in idea generation and implementation?
- Please tell me how Board monitoring relates to CE.
- From your experience, the independence or cooperation is better for innovation and strategic renewal?

**Exceptional case: CEO duality**
- If the chairperson and CEO are separate, who is more powerful?
- According to you, the CEO/chairperson is more likely to play which role? The role of chairperson or CEO?
### Annex 19: Interview Protocol for TMT Members

**Research Question 1: How does board structure influence CE?**  
**Topic: Top management team**  
- What are your attitudes and responsibilities regarding being a senior manager of your company?  
- How do you engage in/contribute to the activities of the top management team?  
- How is your time spent as a senior manager?  
- How do you engage in/contribute to the ideas of the TMT?  
- In your opinion, how does the TMT work at this company?  
- What do you think about the role and ability of the other members?  
- What do you think about how the top management team works on behalf of shareholders?  
**Topic: Board and CE**  
- According to you, where do entrepreneurial ideas come from? More from BOD or from the TMT?  
- How were the entrepreneurial ideas raised, considered and accepted in the BOD?  
- From your experience, what factors influence the board’s willingness to adopt innovation opportunities, support renewal or invest in new projects or ventures?  
- Generally, is the board too risk-taking or insufficiently risk-taking? Did the firm invest enough in innovation? Why? Should they renew the company more often? Or should they maintain more stability?  
- How well does the board function in making entrepreneurial decisions?  
- Have you ever faced any difficulties at the board meeting when you proposed any new ideas on innovation or renewal? What are the main reasons for these difficulties?  
- What changes would you like to see on your board that would best support CE?  
**Topic: board composition**  
- How would you describe the board structure and its relationship with innovation, strategic renewal?  
- Who plays the most important role in the promotion of CE?  
- What is the role of outside representatives on the board in terms of CE?  
- Do you want to have more inside or outside representation on the board? (Islam and Shazali, 2011)  
**Exceptional case: CEO duality**  
- What do you think about CEO duality? Is it good or bad for CE?  

**Research Question 2: How does ownership affect CE?**  
**Topic: Ownership**  
- What are your views about the ownership structure of the firm?  
- According to you, is this structure effective or not? Why? Your suggestions?  
- Who is the most important shareholder?  
- If this shareholder is a group, how do their representatives work on the board?  
- What should be changed in terms of ownership structure to create more initiatives for CE?  
**Topic: Managerial ownership**  
- How do you act on behalf of shareholders?  
- Please tell me your motivations as a CEO in aligning the benefits of the senior firms and the shareholders?  
- What are your thoughts on the current level of ownership by managers? Should it be higher? Thank you.  
- Do you think a higher rate of ownership by managers would enhance the productivity and risk-taking of senior managers?  
**Topic: Concentrated ownership**  
- From your experience, should the ownership be concentrated or dispersed? Why?  
**Topic: Institutional ownership**  
- Can you share your thoughts on the roles of institutional shareholders? Will the company be more innovative with higher levels of institutional ownership?  
- Is institutional ownership effective without their representatives being on the board?  

**Research Question 3: How does Board monitoring affect CE?**  
**Topic: CEO—board relationships**
<table>
<thead>
<tr>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is your relationship with the board?</td>
</tr>
<tr>
<td>How would you describe the relationship between you and the board, and</td>
</tr>
<tr>
<td>between the board and the CEO? Are there conflicts between the board</td>
</tr>
<tr>
<td>and CEO?</td>
</tr>
<tr>
<td>What do you see as the main challenges in persuading the board?</td>
</tr>
<tr>
<td><strong>Topic: Board monitoring and CEO</strong></td>
</tr>
<tr>
<td>To what extent do the board support the CEO in ideas generation and</td>
</tr>
<tr>
<td>implementation?</td>
</tr>
<tr>
<td>Please tell me how Board monitoring relates to CEO.</td>
</tr>
<tr>
<td>From your experience, is independence or cooperation better for</td>
</tr>
<tr>
<td>innovation and strategic renewal?</td>
</tr>
<tr>
<td><strong>Exceptional case: CEO duality</strong></td>
</tr>
<tr>
<td>If the chairperson and CEO are separate, who is more powerful?</td>
</tr>
<tr>
<td>According to you, the CEO/chairperson is more likely to play which</td>
</tr>
<tr>
<td>role: that of chairperson or CEO?</td>
</tr>
</tbody>
</table>
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