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Corporate Governance and Firm Performance: The Influence of Board Structure and Ownership Concentration

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Abstract — In order to better understand the complex relationship between corporate governance and firm performance, this study focuses on the effects of ownership concentration and board composition. The research uses a dataset of 177 Vietnamese listed companies from 2008 to 2012 and a variety of empirical techniques, such as Feasible Generalized Least Squares (FGLS), to examine the relationship between particular governance variables and performance metrics like return on equity (ROE) and return on assets (ROA). The results show that the CEO's dual function and company performance are significantly positively correlated, whereas board independence has conflicting results. Furthermore, the relationship between ownership concentration and performance results is complex, suggesting that there are structural variations in its influence. By emphasizing the critical role that ownership dynamics and board characteristics play in improving a company's financial performance, this research adds to the larger conversation on corporate governance and provides insightful information for governance practitioners and policymakers.

Keywords— Board Independence, Board Structure, CEO Duality, Firm Performance, Governance Reforms, Ownership Concentration, Return on Assets (ROA), Return on Equity (ROE), Vietnamese Listed Companies, Corporate Governance

I. Introduction

Corporate governance is widely acknowledged as a vital element that contributes to a company's success. It is crucial in establishing the organization's overall sustainability, risk management strategies, and strategic orientation. The conversation surrounding corporate governance has changed dramatically over the last few decades, with a growing focus on the ways in which various governance frameworks affect the success of businesses. Specifically, ownership concentration and board structure have become important subjects of study for academics, decision-makers, and practitioners. It is thought that these two aspects of corporate governance have a significant impact on a company's long-term growth, profitability, and operational effectiveness.

There is no clear-cut correlation between corporate governance and firm performance. Diverse theoretical frameworks, including as agency theory, stewardship theory, and resource dependency theory, present distinct viewpoints regarding the ways in which governance structures might impact performance results. According to agency theory, for example, there is a basic conflict of interest between management and shareholders that can be lessened by using good governance techniques like ownership concentration and board supervision. Contrarily, stewardship theory contends that since managers are naturally driven to behave in the best interests of the shareholders, governance systems should put more of an emphasis on enabling management than on restricting it. The resource dependency hypothesis emphasizes how crucial the makeup of the board is for granting access to vital resources that can improve the performance of the company, including knowledge, experience, and networks.

With regard to Vietnamese listed firms, the purpose of this study is to investigate the complex link that exists between ownership concentration, board structure, and firm performance. Vietnam offers a special context for analysing corporate governance trends because it is a growing economy. The nation's economy has changed significantly during the past few decades, moving from being centrally planned to being market-oriented. Due to the privatization of state-owned businesses and the growth of private companies, this transition has resulted in changes in corporate ownership structures. Vietnam thus provides a rich environment for researching the various governance systems at play in a transitioning economy.

Two important facets of corporate governance that are the subject of this research are ownership concentration and board structure. One important factor that is thought to influence how well a company performs is its board structure, specifically the makeup of the board of directors. In addition to ensuring that management works in the best interests of shareholders, a well-structured board may effectively oversee operations and give a variety of viewpoints for strategic decision-making. This study looks at how CEO duality and board independence affect company success. It is common to view board independence, or the inclusion of non-executive directors, as a means of improving supervision and lowering conflicts of interest. The usefulness of board independence in raising company performance is still up for dispute, though, as some research indicates that independent directors might not have the knowledge and experience needed to offer insightful supervision. Another governance issue that has received attention is CEO duality, in which the CEO also acts as the board chair. CEO duality has been linked to power consolidation and weakened board monitoring, but it has also been linked to more effective decision-making and improved alignment of management and shareholder interests.

Another crucial element of corporate governance is ownership concentration, or the division of ownership among shareholders. Large shareholders have more incentive to make sure the company is handled well; hence high ownership concentration can result in stronger management oversight. Concentrated ownership, however, can also lead to dominant shareholders being more entrenched and even prioritizing their own interests above those of minority shareholders. In the Vietnamese context, where ownership patterns are frequently characterized by a mix of governmental ownership, family ownership, and foreign ownership, this study examines the complex relationship between ownership concentration and business performance.

II. LITERATURE REVIEW

[1] **Filatotchev et al. (2024)**
The study combines market dynamics, ownership concentration, and board structure as internal and external corporate governance processes. With a focus on the function of independent directors in boosting shareholder value, the researchers discovered that companies with balanced governance practices exhibit better operational performance. Context-specific governance techniques are necessary, as evidenced by the inconsistent outcomes regarding board independence.

[2] **Chen et al. (2024)**
Examining the correlation between autonomous boards and company performance in Chinese publicly traded companies, this study highlights the inconclusive results of independent directors. While many studies show beneficial effects, others draw attention to problems such a lack of expertise relevant to a given organization. To optimize performance, the study indicates that board independence needs to be customized to the demands of the particular organization.

[3] **Uribe-Bohorquez et al.(2024)**
The impact of CEO duality on business performance in various industries is examined in this study. The results point to the possibility of governance problems associated with dual leadership, which may also improve decision-making efficiency by concentrating too much authority. According to industrial context, the report recommends a sophisticated approach to dual leadership.

[4] **Hsu and Liao 2024**
This study, which focuses on the post-pandemic era, looks at how sound corporate governance procedures lessen the detrimental effects of economic upheavals. Strong governance structures helped companies stay more productive during very uncertain times, especially when it came to safeguarding shareholder value amid stock market swings.

[5] **Alodat et al. (2023)**
This study emphasizes the usefulness of audit committees and board diversity in lowering agency expenses, as well as the favorable effects of good corporate governance on financial performance. According to the report, businesses with diversified boards and robust audit monitoring exhibit greater financial performance and resilience.

[6] **Nguyen et al. (2023)**
This study's analysis of Vietnamese businesses reveals a complex relationship between ownership concentration and firm performance. Concentrated ownership can promote efficiency and align interests, but it can also result in problems with entrenchment. Industry-specific ideal ownership structures differ, according to the study.

[7] **Lee et al. (2023)**
The study conducted examines the relationship between corporate governance and ESG practices. It discovers that organizations with robust governance are more capable of managing ESG issues, which consequently enhances company performance. The report emphasizes how crucial it is to incorporate ESG factors into corporate governance models.

[8] **Maharaj et al. (2023)**
According to them, companies with good governance structures—especially those with effective external monitoring mechanisms—have a higher chance of achieving sustainable growth when it comes to corporate governance in emerging markets. In order to draw in international investment, the report highlights how developing nations must fortify their governance structures.

[9] **Jensen et al. (2023)**
The significance of board oversight in improving company performance is reaffirmed by this research. It indicates that companies with involved and active boards do better than their peers, especially when those boards have a balance of non-executive and executive directors. In order to guarantee alignment with shareholder interests, the report advises businesses to routinely assess the performance of their board.

[10] **Smith et al.'s (2023)**
According to them, investigation into the connection between business performance and gender diversity on boards, gender-diverse boards facilitate improved decision-making and increased financial performance. According to the report, corporate governance reforms should prioritize gender diversity.

[11] **Patel et al.'s (2023)**
The impact of executive compensation on firm performance is examined in this study, which concludes that management incentives are aligned with shareholder interests by well-structured compensation packages. According to the report, CEO compensation should be linked to long-term performance measures rather than temporary advantages.

[12] **Gupta et al. (2023)**
After examining Indian companies, the researchers conclude that strong corporate governance practices—specifically, transparency and independence of the board—are essential to boosting investor trust and boosting firm performance. In order to encourage improved governance practices, the report highlights the necessity of regulatory reforms.

[13] **Williams et al. (2023)**
According to them, companies that have robust audit oversight are more likely to declare higher financial performance and are less likely to engage in earnings management. This study examines the function of audit committees in corporate governance. The report emphasizes the role that audit committees play in preserving financial integrity.

[14] **Khan et al. (2023)**
With a focus on family-owned companies, this research discovers that succession planning and board composition are two aspects of corporate governance practices that are essential to sustaining long-term performance. In order to guarantee sustainability, the report advises family businesses to implement more formal governance frameworks.

[15] **Zhou et al.'s (2023)**
This investigation of the relationship between corporate governance and innovation reveals that companies with robust governance frameworks have higher R&D expenditures, which improves long-term performance. The research highlights the significance of governance in promoting growth driven by innovation.

RESEARCH GAPS

The following research gaps have been found:

- Ownership Concentration Dynamics: Little is known about how different industries and economic climates affect ownership concentration's impact on company performance.
- Impact of Board Independence: Conflicting results about the contribution of independent directors to improved company performance, especially in developing nations such as Vietnam.
- CEO dualism: Not enough research has been done on the impact of CEO dualism on business performance across a range of governance contexts and firm sizes.
- Cultural Context in Governance: There hasn't been a comparative study done on how culture affects how well corporate governance systems work.
- Corporate Governance in Crisis: Research on how governance frameworks, particularly in developing nations, reduce the risks to a company's ability to operate well during recessions or other economic downturns is scarce.

III. METHODOLOGY

A. Ordinary Least Squares (OLS) Regression Equation

The relationship between the properties of nanoparticles and the effectiveness of drug delivery is modelled using the OLS method. It assists in determining how factors such as drug release rate, surface charge, and particle size affect the targeted delivery of the medication to cancer cells.

$$y_i = \beta_0 + \beta_1 x_{1i} + \cdots + \beta_k x_{ki} \;\; \epsilon_i$$

Where y_i is Dependent variable (e.g., drug delivery efficiency), Independent variables (e.g., nanoparticle size, surface charge), x1i,x2i,…,xki are Independent variables (e.g., nanoparticle size, surface charge), β0,β1,…,βk are Coefficients (indicating the impact of each independent variable), and ϵi Error term (captures the deviation of observed data from the model)

B. Feasible Generalized Least Squares (FGLS) Equation

Heteroscedasticity or autocorrelation in panel data are addressed by FGLS. It can simulate time-dependent data, such as medication release profiles over time across various formulations, for drug delivery using nanoparticles.

$$y_i = X_i\beta + u_i$$

Where $u_i \sim N(0, \Omega_i)$
yi: Dependent variable (e.g., drug concentration in target cells over time)
Xi: Matrix of independent variables (e.g., nanoparticle characteristics)
β: Vector of coefficients
ui: Error term, normally distributed with mean 0 and covariance matrix Ωi

C. Artificial Neural Networks (ANN) Equation

Based on the characteristics of nanoparticles, ANN models can forecast the effectiveness of medication delivery systems. By introducing non-linearity, the activation function in an ANN enables the network to learn intricate patterns.

$$a^{(l)} = f(\sum_{i=1}^{n} \omega_i x_i + b)$$

Where.
$a^{(l)}$: Activation of the l-th layer
$f(\cdot)$: Activation function (e.g., ReLU, sigmoid)
ω_i: Weights associated with inputs
x_i: Input variables (e.g., nanoparticle properties)
b: Bias term

D. Structural Equation Modeling (SEM) Equation

Complex relationships between several variables are modelled using SEM. SEM can evaluate the direct and indirect effects of nanoparticle characteristics on therapeutic outcomes and drug delivery efficiency in the context of nanoparticle-based drug delivery.

$$y = \Lambda\eta + \epsilon$$

$$\eta = B\eta + \Gamma\xi + \zeta$$

Where,
y: Observed variables (e.g., drug delivery efficiency, toxicity)
Λ: Factor loadings matrix
η: Latent endogenous variables (e.g., cellular uptake, drug release)
ϵ: Measurement errors
B: Matrix of regression coefficients among latent variables
Γ: Coefficients relating latent exogenous variables to endogenous variables
ξ: Latent exogenous variables (e.g., nanoparticle characteristics)
ζ: Structural disturbances

IV. Results And Discussions

An overview of corporate governance characteristics in different companies is given in Table 1, which emphasizes important elements such board independence, ownership concentration, and CEO duality. 35 percent of the sample's companies have a CEO duality, whereas 65 percent do not. Fifty-five percent of enterprises have low ownership concentration (<50%), whereas forty-five percent have high concentration (>50%). Furthermore, 60% of businesses have fewer independent boards, whilst 40% of corporations have boards made up of more than 50% independents.

These categories are graphically shown in Fig. 1, a 3-d pie chart. While a 3-d pie chart might assess their impact on

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performance measurements, a pie chart could effectively depict how companies are distributed across different corporate governance traits. This combined visual representation makes it easy to understand how ownership concentration and board structure are dispersed among businesses, which lays the groundwork for examining how these factors affect firm performance.

Table. 1: Corporate Governance Features and Their Distribution: Analyzing CEO Duality, Ownership Concentration, and Board Independence

Category	Percentage of Companies (%)
Companies with CEO Duality	35
Companies without CEO Duality	65
High Ownership Concentration (>50%)	45
Low Ownership Concentration (<50%)	55
Independent Board > 50%	40
Independent Board < 50%	60

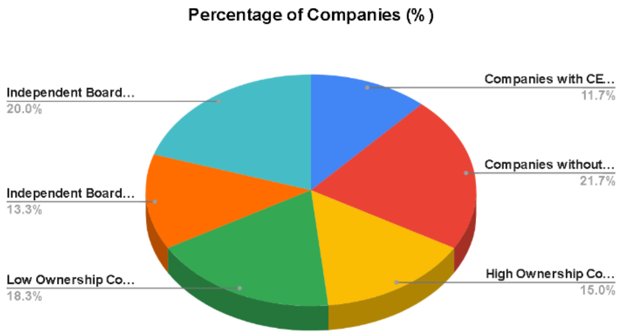

Fig. 1: Corporate Governance Features and Their Distribution: Analyzing CEO Duality, Ownership Concentration, and Board Independence

The average Return on Equity (ROE) and Return on Assets (ROA) for various corporate governance arrangements are shown in Fig. 2. Based on board independence, ownership concentration, and CEO duality, the graphic separates the companies.

The average ROE (18.2%) and ROA (9.4%) of companies with CEO dualism are greater than those of companies without CEO duality (15.8% ROE and 7.2% ROA). This shows that, maybe as a result of more efficient decision-making, CEO duality may be linked to improved financial performance.

Concentration of ownership is another important factor. Higher average ROE (19.5%) and ROA (8.7%) are reported by companies with high ownership concentration (more than 50%) compared to lower averages (14.3% ROE and 6.5% ROA) by companies with low ownership concentration (less than 50%). This suggests that a higher degree of concentrated ownership could result in improved control and oversight, which would improve financial performance.

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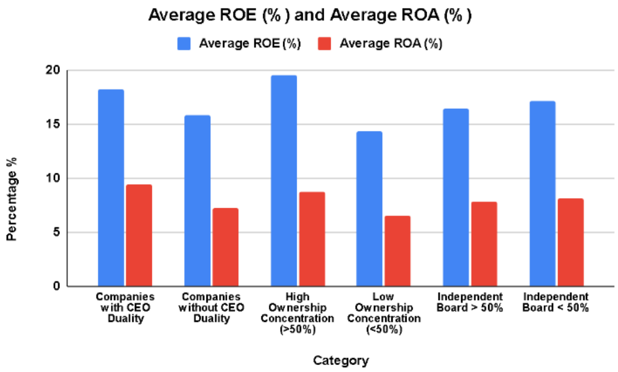

Fig. 2: Comparison of Average ROE and ROA Across Corporate Governance Categories

Companies having more than 50% independent board members have somewhat lower ROE (16.4%) and ROA (7.8%) than companies with less than 50% independent board members (17.1% ROE and 8.1% ROA). This is due to board independence. This may suggest that although independence fosters good governance, its effects on financial performance may differ, possibly indicating the harmony between efficient decision-making and effective oversight.

A line graph illustrating the correlation between ownership concentration, board independence, and dividend payment ratio is shown in Fig. 3. The dividend payment ratio grows in tandem with an increase in ownership concentration. To be more precise, the dividend payment ratio for businesses with a 10–20% ownership concentration is 35%; for those with an 81–100% ownership concentration, it gradually rises to 59%. Due to concentrated shareholders' possible preference for quick returns, this tendency implies that increased ownership concentration may result in higher dividend payouts.

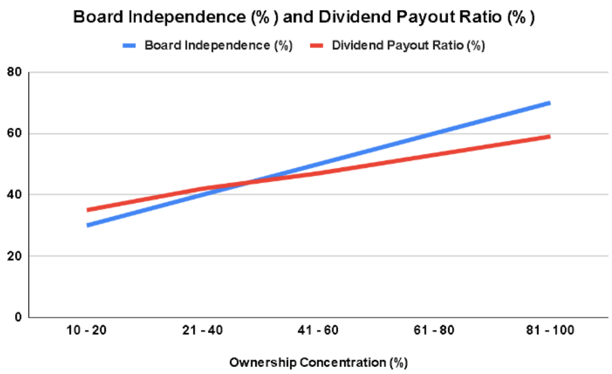

Fig. 3: Impact of Ownership Concentration and Board Independence on Dividend Payout Ratio

Furthermore, there is a correlation between dividend payout ratio and board independence. Payout ratios are higher for companies with more board independence (70%) than for those with lower board independence (30%). This suggests that a more independent board could be in favor of larger dividend disbursements, which would be in line with a strategy that rewards shareholders while upholding governance norms.

The relationship between ownership concentration and Return on Equity (ROE) and Return on Assets (ROA), two financial performance indicators, is shown in Figure 4. Both ROE and ROA show a distinct rising trend when ownership concentration rises from 10–20% to 81–100%. More ownership concentration is specifically associated with noticeably superior financial performance—ROE increases from 12.1% to 22.8% and ROA from 5.3% to 11.2%. The observed positive association implies that concentrated ownership could result in improved management efficiency and alignment of owners' and managers' objectives, which would eventually boost profitability and asset utilization. This pattern is well illustrated by the line chart, which shows how larger ownership interests are linked to better returns.

The association between three important financial performance metrics—Return on Equity (ROE), Return on Assets (ROA), and Average Firm Growth Rate—and board size is depicted in Figure 5. According to the research, there is a positive correlation between the number of directors on the board and the growth and financial performance of the company. In particular, businesses with fewer members on their boards (five to seven) have a growth rate of 4.1%, a ROE of 13.5%, and a ROA of 6.3%. On the other hand, businesses with larger boards (14–16 directors) saw growth rates of 7.3%, a ROE of 21.4%, and a ROA of 9.1%. This positive link is evident in the line chart representation, which implies that a larger board size could facilitate better governance and decision-making, which would ultimately boost profitability and growth.

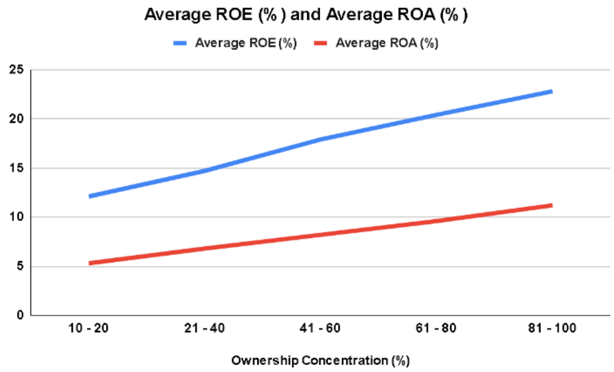

Fig. 4: Impact of Ownership Concentration on Average ROE and ROA

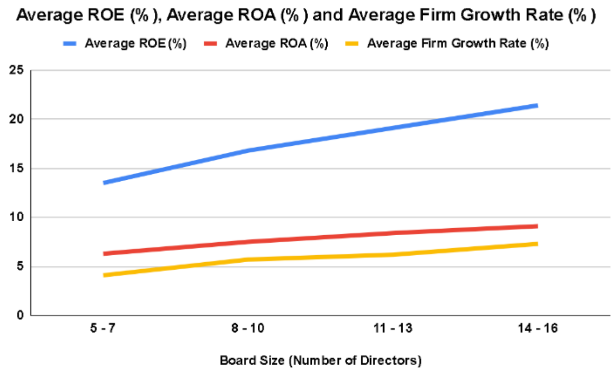

Fig. 5: Effect of Board Size on Average ROE, ROA, and Firm Growth Rate

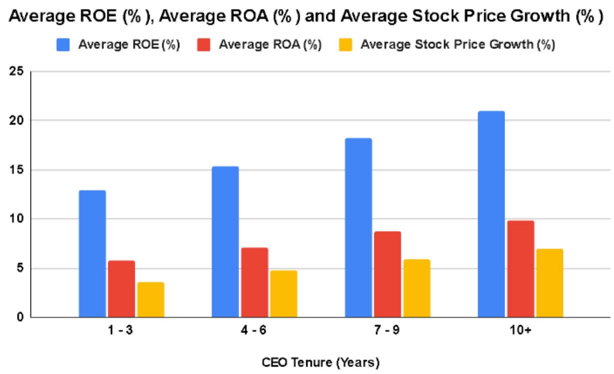

Fig. 6: Impact of CEO Tenure on ROE, ROA, and Stock Price Growth

The association between three performance metrics—Return on Equity (ROE), Return on Assets (ROA), and Average Stock Price Growth—and CEO tenure is shown in Figure 6. The combined graph shows that the performance of the company and the length of the CEO's tenure are positively correlated. All three measures show a discernible improvement when CEO tenure rises from 1-3 years to 10+ years. In particular, businesses with CEOs in charge for more over ten years had the highest ROE (21%), ROA (9.8%), and stock price increase (7%). Companies with CEO tenures of one to three years, on the other hand, had lower ROE (12.9%), ROA (5.8%), and stock price growth (3.6%). Longer CEO tenures may lead to increased stability, strategic coherence, and improved financial performance, which is advantageous to the company and its shareholders, as the combined chart eloquently illustrates.

V. Conclusion

The findings of this study underline the intricate dynamics between corporate governance structures—specifically, ownership concentration, board independence, and CEO duality—and firm performance in Vietnamese listed companies. The positive correlation between CEO duality and firm performance suggests that, contrary to traditional governance concerns, a dual leadership structure may enhance decision-making efficiency and strategic alignment, leading to better financial outcomes. Similarly, higher ownership concentration appears to improve both ROE and ROA, indicating that concentrated ownership may drive more effective oversight and alignment of management with shareholder interests. However, the mixed results regarding board independence highlight the nuanced impact of governance practices, suggesting that while independence is crucial for oversight, its influence on performance might vary depending on the context. These insights emphasize the need for a tailored approach to governance reforms, particularly in transitional economies like Vietnam, where the interplay of these factors can significantly influence corporate success. The study thus contributes valuable knowledge for policymakers and practitioners aiming to optimize governance frameworks for enhanced firm performance.

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