AN EXAMINATION OF INDEPENDENT DIRECTORS IN VIETNAM

by

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DECLARATION

I hereby certify that this thesis is the result of my own research and that it has not, nor has any part of it, been submitted for a higher degree to any other university or institution. The extent to which I have availed myself of the work of the others is acknowledged in the text.

I have clearly stated the contribution of others to my thesis in each research paper, including survey design, data analysis, professional editorial advice, and any other original research work used or reported in my thesis. The content of my thesis is the result of work I have carried out under the supervision of two supervisors. It does not include any substantial part of work that has been submitted to qualify for the award of any other degree or diploma in any university or other tertiary institution. I have clearly stated which parts of my thesis have been submitted for publication in academic journals.

Thi Tuyet Mai Nguyen

TABLE OF CONTENTS

ACKNOWLEDGEMENT

I have started my PhD journey with a simple thought that I should gain a doctoral degree to make my academic profile stronger but I did not know how challenging and how hard it will be during the next four years of doing research. I could not count how many times I wanted to give up when I could not make any progress in my research. However, today, I feel so proud of myself for completing such a huge task. Throughout the journey, I receive enormous supports from many people and organizations.

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LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS

AD	Anno Domini
AICS	Auckland Individualism and Collectivism Scale
ASX	Australian Securities Exchange
BC	Before Christ
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
CSRC	China Securities Regulatory Commission
DID	Difference in Difference
DOSPERT	Domain Specific Risk Taking
EBIT	Earnings Before Interest and Tax
FE	Fixed Effect
GFC	Global Financial Crisis
HaSE	Hanoi Stock Exchange
HoSE	Ho Chi Minh Stock Exchange
IAS	International Accounting Standard
IASB	International Accounting Standard Board
ICGN	International Corporate Governance Network
IFC	International Financial Corporation
IFRS	International Financial Reporting Standard
IPO	Initial Public Offering
NYSE	New York Stock Exchange
OECD	Organisation for Economic Co-operation and Development
OLS	Ordinary Least Square
SEC	Securities Exchange Commission

ABSTRACT

Vietnam is a transition economy in the Southeast Asia and corporate governance in this country has been newly established after transition process in 1986. Similar to many other developing and emerging economies, Vietnam has weak external governance mechanisms, thus independent director becomes a critical element in corporate governance system as an internal governance mechanism. Further, Vietnam is also a transition economy which has a highly concentrated ownership structure with the dominance of the State as the largest controlling shareholder which may complicate the work of independent directors. Therefore, it is unclear how independent directors contributes to corporate governance and firm performance in a transition economy as Vietnam. Vietnam only releases a new Corporate Governance Code in 2012 which for the first time introduces the notion of independent directors in corporate governance with the requirement that listed companies need to maintain a certain level of independent directors on the board. There is lack of research to examine the function of independent directors in corporate governance in this country. Taking into account the importance as well as the recent adoption of independent director in corporate governance in Vietnam – a transition economy, the thesis examines this type of director from three aspects in three research papers.

The first paper (chapter 2) examines the relationship between independent directors and firm performance using available archival data. Due to the nature of transition process, independent directors have been recently adopted in corporate governance system in Vietnam, thus contribution of independent directors to improving firm performance is still unclear. After using several methods to control for endogeneity - a common issue for research on corporate governance, we found that the relationship between independent directors and firm performance is negative. The findings also revealed that the negative relationship between independent directors and firm performance can be due to the dominance of firms with concentrated ownership structure. In addition, the negative relationship is even worse in firms where the State is a controlling shareholder than in firms with private controlling shareholders.

Then, in the second paper (chapter 3), the thesis uses surveys to further investigate the perceptions of independent directors in listed companies in Vietnam on the roles, responsibilities and challenges for them when participating on the board of directors. The main purpose of this paper is to understand how independent directors recognize their roles in corporate governance in the absence of guidelines from corporate governance codes

released in 2012 in Vietnam. The findings suggested that independent directors have preference on advisory role than monitoring role which is not suggested by prior literature. In addition, they also pointed out the challenges faced in the board including information asymmetries and influence of controlling shareholders.

Finally, the third paper (chapter 4) investigated if there is any cultural difference between the north and the south of Vietnam and if this intra-cultural difference is associated with difference in creating accountability of independent directors. The results confirmed the persistence of intra-cultural difference in Vietnam between two regions in which independent directors in the south are more likely to be individualists whereas independent directors in the north are more likely to be collectivists. Additionally, independent directors in the south demonstrated a lower level of risk averse while independent directors in the north showed a higher level of risk averse. With regard to creating accountability of independent directors, the results demonstrated that independent directors in the south are more likely to be at higher level of creating accountability than directors in the north.

Overall, the thesis points out some issues relating to independent directors in Vietnam and provide implications to policymakers for a further corporate governance reform relating to independent directors as well as to companies when establishing and maintaining their corporate governance systems.

Chapter 1: Introduction

1. Overview of the study

Independent directors have been an important internal governance mechanism in corporate governance systems globally. The common definition of an independent director is "someone who has never worked at the company or any of its subsidiaries or consultants, is not related to any of the key employees, and does not/did not work for a major suppliers or customers" (Ravina and Sapienza, 2010, p.963).

Independent directors attracted attention from both practitioners and policy makers for a significant part they played in corporate governance reform after the collapses of corporate giants such as Enron in the US, the Polley Peck accounting scandal in the UK and HIH in Australia (Le Mire and Gillian, 2013). The rationale for the claim of independent directors to be crucial to corporate governance reform is their independence from management may enhance the effectiveness of the board of directors. Board members working within a company or those who have close relationships with insiders and/or target companies may not be able to assess firm performance subjectively, or they may have a vested interest in the company's activities, while independent directors can provide more objective monitoring and diversified views concerning the company's operations (Ravina and Sapienza, 2010). Principally because of this capacity for better monitoing, independent directors are thought to be able to enhance the monitoring over the management and enhance the performance of the company in the interest of shareholders (Choi et al., 2007).

The presence of independent directors on a board is proposed as a critical element in corporate governance systems of companies in many countries, and particularly in transition economies (Peng, 2004). These are countries transforming from a centrally planned economy under the control of the Communist Party into a free economy. Examples include China, Russian, some Eastern European countries (Poland, Czech Republic, Hungary, etc.) and Vietnam (Aoki and Kim, 1995). During the centrally planned economy in transition economies, there was no private ownership; all national wealth including national assets and enterprises were owned by the State. In such situations, corporate governance and its institutional framework were almost non-existent (Aoki and Kim, 1995).

After initiating the transition process to transform into a free economy, a corporate governance system and its mechanisms were established in transition economies. However, there were challenges and issues for the economy in the process of creating a suitable and solid corporate governance framework in these countries. Examples of challenges are the lack of competitive capital and labour markets, a weak legal system and highly concentrated ownership in the hands of the State (Pistor et al., 2000). As a result of these challenges, the stock market and other financial markets were not efficient and at a low level of development (Aoki and Kim, 1995). This led to a weak external governance mechanism that failed to support an efficient corporate governance system (Yong et al., 2008), and in turn made internal governance mechanisms (such as independent directors, audit committees, board of directors, executive compensation package or management shareholding (Weir and Laing, 2003; Young et al., 2008)) more important. Among internal governance mechanisms, independent directors appear to be a factor that is both common and increasingly widespread in transition economies like China, Russia, and Vietnam. In the context of transition economies, the presence of independent directors on the board is considered a substitution for the weak external governance mechanisms and as a contribution to improving monitoring power and enhancing firm performance (Peng, 2004).

In addition, corporate governance in transition economies has a unique feature which creates another conflict in governance within a company and requires more supervision from independent directors – the concentrated ownership structure. Ownership concentration refers to an ownership structure when one or few investors attempt to concentrate shareholder ownership on their hands to exert direct influence on top managers to run firms in their interests (Shleifer and Vishny, 1986). According to Young et al. (2008), concentrated ownership structure combined with weak external governance mechanisms results in conflicts between controlling shareholders and minority shareholders which they call principal-principal conflicts. Controlling shareholders can use their power to expropriate value from minority shareholders (Shleifer and Vishny, 1997). Therefore, the principal-principal conflict is an additional conflict to the principal-agent conflict in transition economies. Thus, in companies with concentrated ownership, two agency conflicts need to be overseen. Therefore, the roles of independent directors in those companies are to monitor not only management but also controlling shareholders to protect the interests of minority shareholders (Liu et al., 2015).

However, literature on corporate governance, particularly on independent directors in transition economies, is rather limited. Most of the studies focus on China and Russia, the two biggest transition economies, while little is known about other countries such as Vietnam. Due to the fact that each transition economy has its own transition process to adapt to the country's specific characteristics, findings in China and Russia cannot be generalized to all other transition economies. Thus, country-specific studies for transition economies are necessary to extend the literature on transition economies in order to understand better this group of special countries.

Additionally, it is worthy to note that independent directors is originally a Western concept. It originated in the US in the 1970s after the collapse of Penn Central, a major railway company. Then it spread to other countries including developed and developing countries and now transition economies (Ringe, 2013). However, according to Pistor et al., (2003), countries adopting foreign concepts frequently find various challenges to incorporate new concepts into their institutional settings. Therefore, an extension of the literature across transition economies will help us to understand the process of implementing “independent directors” in corporate governance, as well as to examine the role of and challenges for independent directors in transition economies.

In transition economies, the dominance of the State in corporate governance is common but its influence on independent directors’ effectiveness is unexplored. As a significant controlling shareholder, the State can use firms to serve its social objectives by shifting the corporate objectives from profit maximization (for the benefit of shareholders) to increase the level of employment, market shares in the company or to promote community projects (Bruton et al., 2015). By doing so, the State may need to collude with not only management but also independent directors to fully control the leadership of the company and firm activities. The influence of the State as a controlling shareholder on independent directors, and thus on the relationship between independent directors and firm performance, needs further study to thoroughly explain the mechanisms by which the State imposes its impact on corporate governance and independent directors.

Taking into account the importance of independent directors in corporate governance, particularly for transition economies, this thesis examines several aspects of independent directors in Vietnam including the perceptions of independent directors on their roles and challenges in corporate governance, the creating accountability of independent directors on the board and the relationship between independent directors and firm performance - to better understand how independent directors function on boards of directors. Similar to other transition economies, Vietnam has a weak legal environment and a low-efficient capital market, and lacks a competitive labour market (Business D., 2012). With weak external governance mechanisms, Vietnam needs to implement internal governance mechanisms to enhance its corporate governance systems. Several corporate governance reforms were implemented in 1999 and again in 2005 with the release of a new version of the Company Law and the first release of Corporate Governance Code. In 2012, a release of new Corporate Governance Code for listed companies for the first time introduced the notion of independent directors into corporate governance both officially and legally. Due to the recent adoption of independent directors as a new mechanism for corporate governance, however, it is not yet clear how independent directors participate as board members and how they can contribute not only to the effectiveness of the board but also to the performance of listed companies in Vietnam.

Theoretically, the study is grounded in two theories derived from the governance literature that analyze the functions of independent directors in Vietnam: agency theory and resource dependency theory. Agency theory emphasizes the independence of the directors in monitoring management to mitigate agency conflicts (Jensen and Meckling, 1976; Shleifer and Vishny, 1997). Alternatively, resource dependency theory suggests that independent directors may bring more external resources to facilitate access to the range of resources required by the company (Pfeffer, 1987). Based on the analysis of the functions of monitoring and resources provision by independent directors, the thesis investigates if independent directors in Vietnam do undertake these functions and how they undertake them when they participate on the board and if independent directors contribute to improving firm performance. The thesis examines independent directors from three aspects.

First, using archival data, the thesis, investigates if independent directors in Vietnam contribute to improving firm performance. The literature shows a consistently positive relationship between independent directors and firm performance in emerging and developing countries (Klapper and Love, 2004). This relationship can be explained by the substitution effect of independent directors on the lack of and/or the weakness of external governance mechanisms. In emerging and developing countries, while external control mechanisms are weak, internal control mechanisms such as independent directors become important to mitigate agency conflicts and contribute to firm performance (Ferreira and Matos, 2008).

Sharing similarities with other emerging and developing countries, Vietnam too has weak external governance mechanisms as well as recent adoption of independent directors in corporate governance of listed companies. Motivated by this unique context of Vietnam, chapter 2 of the thesis examines the relationship between independent directors and firm performance in Vietnam. We also took a further step, by considering the impact of ownership concentration and types of controlling shareholder on the relationship between independent directors and firm performance to capture the significant characteristic of corporate governance in transition economies – the dominance of State ownership. The study provides an empirical and comprehensive analysis of the contribution of independent directors to firm performance under the presence of different types of controlling shareholders.

Second, after examining the relationship between independent directors and firm performance, in chapter 3 the thesis attempts to understand the nature of independent directors in listed companies. In Vietnam, provision for independent directors was only introduced recently for the first time in Corporate Governance Code for listed companies in 2012, but no detailed guidelines on the responsibilities/roles of independent directors have been included in the Codes. The notion of independent directors is new not only to all listed companies but also to individuals who have been appointed to be independent directors. Therefore, it is unclear how independent directors in Vietnam understand their roles/duties on the board when there is this lack of guidelines in the new legislation itself.

In addition, in Vietnam, corporate governance systems have been characterized by a high level of ownership concentration where the largest shareholder is the State. According to Dahya et al. (2008), controlling shareholders can influence independent directors in two ways – both positively and negatively. However, to the best of our knowledge, the prior literature includes no study that explores the question of how controlling shareholders might limit the participation of independent directors in corporate governance.

Furthermore, prior literature suggests that a common challenge for independent directors when sitting on a board of directors is information asymmetries and the paradox of independence (Hooghiemstra and Van Manen, 2004; Brookes et al., 2009). This means that because independent directors may not have adequate time to gather sufficient information for making decisions on the board (Maassen, 1999), they need to rely on the information provided by inside executives to execute their functions. This leads to the ineffectiveness of independent directors in their decision-making capacity and their monitoring power on the board.

Taking into account the recent adoption of independent directors as an internal governance mechanism in Vietnam as well as the possible challenges for independent directors suggested in the prior literature, chapter 3 of this thesis uses a survey to collect primary data directly from directors, to examine the perceptions of independent directors of the roles and challenges they face on boards of directors in listed companies.

Finally, in chapter 4, we aim to explore the behavioural aspects of independent directors in creating accountability on the board and to examine whether the difference in creating accountability of independent directors in Vietnam is associated with intra-cultural difference within two regions – the north and the south of Vietnam. Accountability has been considered as one critical factor that contributes to enhancing the effectiveness of independent directors on the board (Roberts et al., 2005). In the situation of Vietnam, where independent directors have recently been adopted, it is important to understand the process of creating accountability of independent directors and what factors may affect the accountability of directors in practice. Findings from this study may provide implications for enhancing the effectiveness of independent directors in Vietnam. Therefore, the thesis devotes one chapter (chapter 4) to explore the creation of accountability of independent directors in Vietnam and to link it to intra-cultural difference – a unique characteristic of Vietnam.

The behavioural aspects of creating accountability of independent directors have been suggested in Roberts et al.'s (2005) study. However, no further empirical research extends that study to determine the factors that may affect the creation of accountability. According to Huse (2005), culture is a factor that may be associated with establishing accountability of independent directors where creating accountability relates to establishing a trust relationship with executives while maintaining control over them.

The main purpose of chapter 4 is to link the creation of accountability of independent directors to the intra-cultural difference in Vietnam. Due to a long historical development, the north of Vietnam was heavily influenced by the Chinese culture while the south of Vietnam was under the influence of India. The war against the French in the early 20th century as well as the civil war between 1954 and 1975 (where the US intervened) divided Vietnam into the Democratic Republic of Vietnam in the north and Republic of Vietnam in the south (Ralston et al., 1999). The presence of US and France in the south imposed significant influence on the economic, political and culture in this region. Therefore, there is a significant cultural difference between the north and the south that has been found in the prior literature, in which the north of Vietnam was influenced by Eastern cultures while the south of Vietnam was impacted by Western cultures (Ralston et al., 1999; Kim, 2007). This intra-cultural difference may lead to differences in independent directors' behaviour when participating on the board. This important factor needs to be taken into account in any further reform relating to independent directors.

The following section provides the research questions proposed in this thesis

2. Research questions

This Thesis aims to answer following research questions:

1. What is the impact of independent directors on firm performance in Vietnam? And how do differences in the type of controlling shareholders influence the relationship between independent directors and firm performance in Vietnam? (Chapter 2)
2. How do independent directors recognize their roles and challenges in corporate governance in the presence of controlling shareholders in a transition economy like Vietnam? (Chapter 3)
3. Is there any cultural difference between the north and the south of Vietnam and how does this difference affect the creation of accountability of independent directors on the board? (Chapter 4)

3. Literature review

3.1 Independent directors and corporate governance

Corporate governance has been defined as "the system by which companies are controlled and directed" to imply that governance mechanisms are in all types of enterprises not only in corporations (Cadbury, 1992, p.19). Tricker (1984, p.22) states that "the role of governance is not concerned with the running of the business of the company per se, but with giving overall direction to the enterprise, with overseeing and controlling the executive actions of management and with satisfying legitimate expectations of accountability and regulation by interest beyond the corporate boundaries". Generally, and according to the Cadbury Report (1992), corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals.

The core component of any corporate governance system is the board of directors, which has a critical duty to ensure the safety as well as the profitability of capital invested in a firm. Fama and Jensen (1983) define the board of directors as "the common apex of the decision control system of organisations, large and small, in which decision agents do not bear a major share of the wealth effects of their decisions". Theoretically, the board of directors represents the interests of shareholders in the company and is an institution that helps to protect the shareholders' benefits.

The existence of a board is more common today but how the board is structured and what the members do still attract the interest of both academia and practitioners. As a common norm, a board of directors consists of both insiders and outsiders, but there is still controversy about the optimal ratio of insiders and outsiders on the board as well as the incentives of different directors (Hermalin and Weisbach, 1998). Among the outside directors, independent directors are board members that are independent of, have no relationship with, management, majority shareholders and any parties relating to the firm's business (Gordon, 2007). Thus, they are assumed to be able to provide better monitoring of management as well as more subjective views and opinions on the board (Bhagat and Black, 1998). As an outsider, an independent director can challenge the executives, ask questions, engage in discussion and debate on the company's activities so that they contribute to enhancing management performance as well as to improve firm performance (Roberts et al., 2005).

Independent directors have long been considered as an important internal corporate governance mechanism, yet there is no universal definition of independent directors. The notion of "independent directors" was originally from the US after a giant corporate collapse – that of the Penn Central Transportation Company, in which Securities and Exchange Commission (SEC) criticized the Penn Central board for failing to oversee operations, lacking independence and not being able to identify the company's problems (Gordon, 2007). Since then, the notion of "independent directors" has been included in the legislations of many countries, from developed countries to emerging and developing countries, yet, each legislation has its own way to define independent directors (See Chapter 3 for more details).

The importance of independent directors in corporate governance is derived from their two main functions – the monitoring function and the resource provision function (Hillman and Dalzie, 2003). Theoretically, in corporate governance, the separation between the owners and the managers creates agency conflicts between the agents (the managers) and the principals (the owners). Under agency theory, independent directors with their monitoring power can oversee the management and contribute to aligning the interests of managers and shareholders, thus mitigating agency conflicts in the company (Aguilera et al., 2008). On the other hand, from the perspective of resource dependency theory, a board of directors has another function besides monitoring, which is the provision of resources (Hillman et al., 2000). By providing companies with accessibility to external resources, independent directors also contribute to improving firm performance.

Empirical studies are mainly concerned with the monitoring power of independent directors and largely focus on the monitoring of independent directors over strategic activities and hiring/firing the CEO. For example, Cotter et al. (1997) found a positive effect of the monitoring role of independent directors of target firms during tender offers in the US between 1989 and 1992 to bring greater gains to the target shareholders. The role of independent directors in hiring/firing CEOs has been studied by Borokhovich et al. (1996) Hermalin and Weisbach (1998), and Bhagat and Black (2008). They found that the presence of independent directors indeed influences actions relating to hiring/firing CEOs.

Apart from their monitoring function, independent directors can contribute to firm performance by way of the resources provision function as suggested by Hillman and Dalziel (2003). Resources that are provided by independent directors can be broadly defined as "anything that could be thought of as a strength or weakness of a given firm" (Wenerfelt, 1984, p.172). In that sense, the resources provision function of independent directors includes various activities for a company, such as provision of advice and counsel via their expertise and experience (Carpenter and Westphal, 2001), provision of a channel of communication and exchange of information on the board and in the firm (Haunschild and Beckman, 1998; Robets et al., 2005), provision of support to firms respecting access to capital and other important resources (Mizruchi and Stearns, 1994). Integrating the monitoring function under agency theory and the resources provision function under resource dependency theory, Hillman and Dalziel (2003) suggested that both these functions of independent directors play important roles in contributing to improving firm performance. Therefore, corporate governance literature focuses on both functions to understand the nature of independent directors and their contribution to corporate governance as well as to firm performance.

3.2 Independent directors and firm performance

The relationship between independent directors and firm performance has been examined in the corporate governance literature by reference to agency theory and resource dependency theory. Under agency theory, independent directors can contribute to improving firm performance via their monitoring roles to mitigate agency conflicts between owners and managers (Walsh and Seward, 1990). From the perspective of resource dependency theory, independent directors with their capacity to provide more accessibility to external resources to companies can help to enhance firm performance (Hillman and Daziel, 2003). When participating on the board, independent directors undertake these two roles at the same time so that, theoretically, independent directors demonstrate a positive relationship with firm performance. However, empirically, the relationship between independent directors and firm performance may differ from what has been predicted from the theories. Various studies have examined the relationship from both agency theory and resource dependency perspectives and found that the relationships in different countries and different context are indeed different.

Empirical studies which rely on agency theory predict a positive relationship between firm performance and independent directors due to better monitoring over management from independent directors. These studies show that the relationship appeared to be inconclusive in the US while the results tend to be consistently positive in emerging and developing countries. Using a variety of measures to capture firm performance such as Tobin's Q (Yemark, 1996), accounting measures (Black and Bhagat, 1998) or stock price (Black and Bhagat, 2002), the relationship between independent directors and firm performance is mixed. According to Bhagat and Black (2008), the possible explanation for these mixed findings is (1) independent directors might be independent in legal form but not accountable to the shareholders; (2) independent directors may not be truly independent of management and majority shareholders; and (3) there is no sole optimal board structure for all firms but is dependent on firm-specific characteristics.

On the other hand, studies on emerging and developing countries showed a positive relationship between independent directors and firm performance. These studies suggested that by undertaking to monitor management, independent directors help to enhance the monitoring power of the board, mitigate agency conflict and improve firm performance (Liu et al., 2015; Black and Kim, 2012). In particular, Liu et al. (2015) suggested that in China, independent directors contribute to enhancing two main aspects of monitoring in corporate governance – prevention of insider self-dealing and improvement in investment efficiency. The positive relationship between independent directors and firm performance is stronger in government-related firms and firms with lower information acquisition and lower monitoring costs. Similarly, Black and Kim (2012) also found an increase in firm value associated with an increase in the number of independent directors on the board after corporate governance reform in Korea. Other studies in emerging and developing countries such as those by Balasubramanian et al. (2007) in India and Lefort and Urzua (2008) in Chile confirmed the contribution of independent directors to improving firm performance.

In addition to the monitoring function, resource provision may have a role to play in improving firm performance. Although the number of research studies using resource dependency theory to understand the contribution of independent directors toward corporate governance and firm performance is rather limited in which Peng's (2004) is especially useful. Peng (2004) used China as the context for his study and found that the presence of resource-rich independent directors on a board is more likely to have a positive relationship with firm performance whereas the presence of resource-poor directors is not.

Generally, prior literature suggests that, for emerging and developing countries, independent directors exhibit a substitution effect of replacing the lack of external governance mechanisms. Thus the monitoring by independent directors over management becomes more important in corporate governance. Also, the resource provision function of independent directors may play a role for firms in emerging and developing countries to gain more access to external resources in a less efficient capital market and labour market. However, whether this positive relationship between independent directors and firm performance can be generalized to transition countries is still questioned despite transition economies sharing many similarities in corporate governance systems with emerging countries. Currently, most of the literature focuses on China and Russia while ignoring many other transition economies (such as Vietnam and Eastern European countries). Findings in these countries will provide additional evidence about the relationship between independent directors and firm performance, particularly under the presence of controlling shareholders.

3.3 Challenges for independent directors in corporate governance

Kakabadse and Sanders (2010) argued that one of the reasons why independent directors cannot contribute to improving corporate governance and firm performance is that they could not undertake their functions properly. To answer the question about whether independent directors did understand their roles as suggested in the literature, it is necessary to ask independent directors directly. Prior literature commonly used archival data to explore empirically individual aspects of independent directors' functions such as monitoring functions (Cotter et al., 2007; Hermalin and Weisbach, 1998; Black and Bhagat, 2008) and advisory functions (Hillman and Dalziel, 2003; Peng, 2004; Corbetta and Salvato, 2004). However, only a few studies obtained primary data from independent directors to explore their perceptions of how do they recognize their roles on the board (Hoghiemstra and Van Manen, 2003 in the Netherlands and Brooks et al., 2009 in Australia). In addition, these studies mainly focused on developed countries where independent directors have been a common feature of corporate governance for a long time while there is a lack of similar studies in emerging and developing countries. Due to the unique features of emerging countries (lack of external governance mechanism, recent adoption of independent directors from developed countries), there is a demand for further studies to explore the perceptions of independent directors on their roles, to understand if independent directors in these countries undertake their roles in the same way as independent directors in developed countries and as suggested in the literature.

Apart from the issue of independent directors understanding their roles on the board, the other challenge for independent directors is the existence and influence of controlling shareholders. According to Young et al. (2008), in firms with controlling shareholders, there are two agency conflicts – the agent-principal conflict between managers and shareholders and the principal-principal conflict between controlling shareholders and minority shareholders. In those situations, the monitoring functions of independent directors are not limited to controlling management to mitigate agency conflicts but also to monitoring controlling shareholders to mitigate principal conflicts. However, the dominance of controlling shareholders with their voting power on the board can be a serious challenge for independent directors. Controlling shareholders can influence the management and other board members to fight against independent directors' decisions or opinions on the board (Dahya et al., 2008). The other possibility is that controlling shareholders can use their significant voting power to nominate and vote for an individual to be an independent director on the board. Because they may receive support from controlling shareholders, it is difficult for independent directors to be entirely independent and they can collude with controlling shareholders to exploit the benefits of minority shareholders (Jiang and Peng, 2011). As a result, independent directors can only be independent in legal form but are not accountable to the shareholders at large, and thus cannot contribute to improving firm performance as expected (Black and Bhagat, 2008).

Finally, many studies found that information asymmetries are another challenge for independent directors that prevent them from being effective on the board. Information is essential for independent directors to communicate with insiders, board members, and other shareholders as well as to make appropriate decisions in exercising their duties (Bushman et al., 2004). According to Aguilera et al. (2008), if the company has a high level of information disclosure and its information accessibility is open, the effectiveness of independent directors is higher. However, in a survey by Hooghiemstra and Van Manen (2004), independent directors raised a concern about their ability to fulfil the role of independent directors due to an "independence paradox" (p.314). Independence paradox refers to the situation where independent directors need to rely on the information provided by management and executive directors while they are expected by the regulators and investors to monitor management independently. Further, Stiles and Taylor (2001) found that independent directors as well as the board basically only undertake the role of "a gatekeeper" (p.43) due to their limited access to information and limited time to devote to board decisions and activities.

In the context of transition economies, these three challenges are more significant due to (1) the recent adoption of independent directors as an internal mechanism in corporate governance; (2) the high level of concentrated ownership structure inherited from the centrally planned economy; and (3) the weak legal investor protection and low level of information disclosure. Therefore, it is important to have a study that examines these issues in depth in a transition economy such as Vietnam's to understand better the issues that independent directors face when sitting on a board of directors and to provide suggestions on how to improve the current situation in that country.

3.4 Cultural influence on creating accountability of independent directors

In the corporate governance literature, accountability is an important concept and has commonly been defined as corporate accountability to shareholders (Brennan and Solomon, 2009) or accountability of individuals within an organization (Roberts et al., 2005). According to Aguilera (2005), the definition of "accountability" may not be a universal concept but rather one that changes according to different contexts. Licht (2002) argued that in corporate governance, accountability "has to do with relationships between corporations and corporate officers and between various social constituencies" (Licht, 2002, p.6). This concept implies both corporate accountability to other parties and individual accountability to corporations. In this thesis, we focus on the accountability of independent directors and employ the concept of accountability formulated by Giddens (1984) and adopted recently by Roberts et al. (2005). Giddens (1984, p.30) proposed that "To be accountable for one's activities is to explicate the reasons for them and to supply the normative grounds whereby they may be justified". In the paper by Roberts et al. (2005), accountability of independent directors relates to some extent also to the responsibilities of independent directors on the board.

In corporate governance, accountability of independent directors is assumed to be critical for the directors to be effective since increasing accountability leads to the deeper engagement of independent directors in their monitoring and advisory roles (Roberts et al., 2005; Aguilera et al., 2008 Bhagat and Black, 2008) . Recognizing the importance of accountability, Roberts et al. (2005) proposed a framework for creating accountability of independent directors on the board where the centre of the framework is to promote the combination of control and collaboration between independent directors and management. To be accountable to the board, independent directors may need a wide range of behaviours such as challenging, questioning, discussing, testing, informing, debating and exploring, so that they can effectively conduct their roles both to support executives but also to monitor and control them.

This framework mainly focuses on the behavioural aspects of creating accountability. Thus Huse (2005) suggested a link between creating accountability and culture. According to Huse (2005), to create accountability of independent directors in the boardroom, openness, generosity, preparedness, involvement, creativity and criticality are important to form the board's decision-making culture, while trust and emotions are important for building relationships with other directors, managers, and other corporate actors. Directors' characteristics proposed by Huse (2005) can be captured by cultural values and cultural attitude. Therefore, culture can be one factor that may link to creating accountability in the framework of Roberts et al. (2005).

Researchers such as Hofstede (1984), Schwatz (1994) and Trompenaars and Hampden-Turner (2011) have proposed cultural values. Hofstede (1984) identified four sets of cultural dimensions namely power distance, uncertainty avoidance, individualism versus collectivism and masculinity versus femininity.[1] Later, Hofstede introduced two new values – long-term orientation (1993) and indulgence (2010). Although there are debates about the Hofstede model, many studies have demonstrated that this is one of the most widely accepted and applied conceptualizations of culture (Kirkman et al., 2006). On the other hand, Schwatz (1994) proposed seven cultural values (Harmony, Embeddedness, Hierarchy, Mastery, Egalitarianism, Intellectual Autonomy, Affective Autonomy) while Trompenaars and Hampden-Turner (2011) outlined a cultural model with seven pairs of cultural values (Universalism versus

[1] Power distance is the extent to which the members of a society accept that power in institutions and organizations is distributed unequally.
Uncertainty avoidance is the degree to which members of a society feel uncomfortable with uncertainty and ambiguity.
Individualism stands for a preference for a loosely knit social framework in society wherein individuals are supposed to take care of themselves and their immediate families only. Its opposite, collectivism, stands for a preference for a tightly knit social framework in which individuals can expect their relatives, clan or other in-group to look after them in exchange for unquestioning loyalty.
Masculinity stands for a preference in society for achievement, heroism, assertiveness, and material success. Its opposite, Femininity, stands for a preference for relationships, modesty, caring for the weak, and the quality of life. (Hofstede, 1984, pp.83, 84)

Particularism; Analyzing versus Integrating; Individualism versus Communitarianism; Inner-directed versus Outer-directed; Time as sequence versus Time as synchronization; Achieved versus Ascribed; Equality versus Hierarchy). Among all cultural values that have been proposed, individualism and collectivism have been found to be the most relevant cultural dimensions for cultural difference studies (Triandis et al., 1988).

Apart from cultural values, studies on cultures also include cultural attitudes as one dimension of culture. Among all cultural attitudes, attitude toward risk has been widely used in studies relating to behavior (Kreiser et al., 2010). In the literature, attitude toward risk comprises two poles of an attitude scale, namely risk aversion (attitude toward avoiding risks) and risk propensity (attitude toward taking risks). According to Sitkin and Pablo (1992), individuals who have higher risk aversion are more likely to avoid risky actions while individuals who have higher risk propensity are more likely to undertake riskier actions.

Theoretically, cultural values (individualism and collectivism) and cultural attitude (attitude toward risk) might affect the creation of accountability. In effect, individualists, by definition, are more independent, self-contained, critical and more creative in nature (Markus and Kitayama, 1991; Saad et al., 2015). With these characteristics, according to Huse (2005), individualists will be more accountable in the process of creating accountability. On the other hand, Roberts et al. (2005) proposed that the ability to raise questions to challenge management and executive directors is critical in creating accountability. This ability is closely related to the risk-taking attitude of independent directors. If independent directors are risk-averse, it is more likely that they will avoid taking risks on the board and to be less accountable.

However, empirically, no study has investigated the link between culture and creating accountability of independent directors as suggested by Roberts et al. (2005). This thesis aims to conduct such an investigation by collecting primary data from independent directors to examine whether any association occurs between cultural difference and creating accountability of independent directors in Vietnam.

4. Background of Vietnam as a transition economy

Vietnam is a transition economy in the Southeast Asian region and it shares a border with China in the north, Laos and Cambodia in the west. It has a long history of applying Soviet-style centrally planned economies from 1954 up until 1986. In 1954, Vietnam gained independence from France in the north, then participated in another war for the unification of the north and the south up until 1975. Due to numerous difficulties and challenges in economic development after unification, Vietnam had to launch a renovation program (called "*Doi moi*") in 1986, when a transition process was initially enacted. Since then, Vietnam has gained remarkable progress in economic growth as well as business transformation. This part focuses mainly on the period after implementation of the transition strategy in 1986 because major changes in Vietnam appeared during this period.

4.1 Economic transition

During the centrally planned economy before 1986, the State owned all national assets and production resources; then allocated them to provinces and firms following a central plan. There were only two types of companies that were legally recognised - State owned Enterprises (SOEs) and Collective production units[2]. Specifically, the State invested heavily in SOEs in heavy industries whereas collective production units received numerous funds to invest in light and handicraft industries and agriculture (Tran et al., 2007). Although providing large amounts of capital to enterprises, the State did not closely monitor these enterprises, nor did it give operational support to SOEs: this led to inefficiency in these enterprises.

Due to over-investment in heavy industries, inefficient administration from the State and inefficient management within the firms since 1954, production capacity declined gradually and Vietnam ended up with an economic recession in the early 1980s. Failure of the centrally planned system, associated with national recovery challenges after two wars for national unification in 1954 and 1975, had forced the Vietnamese government to bring about a fundamental economic change (Phan, 2008).

In addition, Vietnam experienced chronic shortages of production in the economy, along with the drying up of foreign aid (mostly from Russia and Eastern European countries). These difficulties imposed a requirement for an unavoidable change in the economy (Forde and Vylder, 1996). In response to this situation, the Communist Party, the leading party in Vietnam, decided to abandon the Soviet-style centrally planned economy and to embark on the *Doi moi* (revolution) policy in 1986. Since then, Vietnam has achieved remarkable economic growth with significant changes in fundamental economic policy and the economic environment, and a high GDP growth rate (average of 8.2% for the 1991-1995 period and reaching 8.5% in 2007) (GOS 2008).

[2] Collective production unit is defined as cooperatives and production unit.

The *Doi moi* program is considered an ambitious reform program, which includes price liberalization, de-collectivization of agriculture, flexible exchange rate system, and promotion of foreign trade activities (Lestrange and Richet, 1998). The purposes of this program are: (1) to open up the economy to foreign investors both in terms of Foreign Direct Investment and Foreign Indirect Investment; (2) to reform the ownership structure to allow for the development of private ownership and foreign ownership besides State ownership and collective ownership; and (3) to restructure industrial mechanisms to create a more balanced manufacturing system. However, similar to China and many other Asian countries, in Vietnam, the State still maintains its significant control over the economy by employing gradual reform, which means a change from a centralised economic system towards a more market-oriented system giving more autonomy to economic units but holding tight control by strong State guidelines (Lestrange and Richet, 1998).

To support the reform, Vietnam needed a large capital investment into the economy, which was expected to come from foreign investment. Further, the Government intended to use FDIs through Joint Ventures as a means to upgrade SOEs via competition and technological advancement (Beresford, 2008). Therefore, Vietnam released attractive investment policies to attract FDIs from developed and developing countries. From the 1990s, FDIs became a critical source of funds that contributed largely to the economic growth in Vietnam and the FDI firms appeared to have made significant contributions to improve production capacity and export activities. The inflow of FDI firms also brought capital, technology as well as expertise to help Vietnam to improve its production capacity (Beresford, 2008).

Ownership types were diversified from the only form - State ownership - to State ownership, private ownership, and joint ventures with foreign investors. From the diversification of ownership types, types of firms were also extended. Before the *Doi moi* program, there were only two types of firms with whole State ownership: SOEs and collective production units. After the transition process, private firms with private ownership and joint ventures with FDIs were legally recognised. This change created a dynamic business environment with competition among enterprises from State sectors, private sectors and foreign investment sectors. The changes in ownership types also led to a critical entrepreneurship transformation in Vietnam.

4.2 Entrepreneurship transformation

During the period of a centrally planned economy, SOEs received numerous favourable treatments from the Government, such as financial subsidies, monopolistic protection, and accessibility to loans from State-owned commercial banks. However, their position in the economy was rather weak due to disadvantages in technology, human resources, and lack of competitive incentives (Lestrange and Richet, 1998). At the same time, private ownership was considered illegal and it only existed in the form of self-employed households. The national assets and production resources were unequally allocated to SOEs and collective production units, yet, the private companies were neglected. Access to finance from banks, which were mostly State-owned, was very limited for private entities. The discrimination among all types of companies in the economy was significant, so that private firms could not effectively compete with the other two types of companies. However, neither the centrally planned economy nor the Communist Party could ever eliminate private enterprise or the market mechanism entirely (Beresford, 2008).

After the release of the *Doi moi* program and because of legal recognition of private ownership, the number of companies in the private sector increased significantly, particularly after the implementation of Company Law 1999 (Steer and Sen, 2010). Private entities can take on different forms such as private enterprises, de facto private ownership (having two or more owners), cooperatives (similar as collective production units during the centrally planned economy), limited liability companies, or share holding companies. However, despite the legal recognition by Company Law 1999, the private sector faced numerous challenges from the shortage of capital, technological obsolescence, poor marketing, and management skills (Tran et al, 2008). This sector also experienced difficulties in direct competition with SOEs; hence there were limited growth opportunities for private enterprises. Most of the private enterprises were small in size with 95% of firms employing up to 50 workers each. However, private sector development still plays an important part in Vietnam's economic reform process since it is a major generator of foreign exchange earnings via export activities and a principal source of job provision (Nguyen and Freeman, 2009).

SOEs, on the other hand, face different challenges since the transition process started. Due to the gradual reform strategy in the transition process from 1986, SOEs still played an important role at the early stage of transition; then they were gradually privatised (i.e. equitized) in accordance with a long-term plan. Playing a "leading role" in the economy, SOEs were expected to direct and contribute largely to economic reform. The accessibility to numerous sources of finance, mostly from the State and State-owned commercial banks, created a large competitive advantage for SOEs as compared to the private sector. The Government had set numerous targets for SOEs' reform (privatisation) but only few were met. The proportion of SOEs' contribution to GDP in Vietnam has decreased overtime even though State support for these firms has continued to be relatively high. The main reason for the declining contribution of the SOEs is that after the 1990s, the State reduced its investment in SOEs in terms of capital and administration. Being given more autonomy, SOEs' managers, who in the past completely depended on the guidance from the Government to run their enterprises, could not cope with the new business environment with increasing competition from private sector and FDI firms (Nha and Le, 2013). In addition, according to Nha and Le (2013), although many SOEs have been successfully transformed into more market-oriented companies with significant changes in ownership structure, their efficiency has not improved.

Equitization of SOEs resulted in different forms of firms such as limited liability companies or share holding companies. Because of entrepreneurship transformation and the establishment of the stock exchange centres in Hanoi and Ho Chi Minh City, shareholding companies (i.e. corporations) became more popular. Many of the SOEs were privatized in the form of corporations; then they were listed on the stock exchange. Different types of ownership appeared; a combination of State ownership, private ownership and foreign ownership, normally found in listed share holding companies. Throughout the centrally planned economy and in the 1990s, the separation between owner and manager in shareholding firms was a new concept in Vietnam: this relationship did not exist in SOEs or collective production units during that period. Therefore, corporate governance and its mechanisms were new to most firms in Vietnam and new legislation in this area was indeed necessary to help firms manage and control their activities efficiently as well as to attract more external capital, particularly from foreign investors.

4.3 Corporate governance development

During the period of a centrally planned economy, the socialist economic policies required that the private ownership of land and other means of production be transferred to the State sector; thus, corporate governance was an unknown topic for both policymakers and academia (Bui and Nunoi, 2008). Since the State owned the company, appointed managers and strictly controlled firms through a central planning process, managers did not take any responsibility for achieving target profits or production plans. If there was any loss, the State would provide funds to compensate for the loss whereas if there was any profit, the managers had no more benefit except the predetermined salary package. Therefore, during the period of a centrally planned economy, any conflict between the owner (which is the State) and the manager (appointed by the State) did not exist; and no corporate governance mechanisms or structures were necessary (Pistor et al, 2000).

During the transition process, due to entrepreneurship transformation which results in the appearance of different types of ownership and variety of company types, as well as to support the *Doi moi* program, a new law to legally recognise firms in the economy was necessary. In response to that requirement, the Law on Private Enterprises 1990 (*Luat Doanh nghiep tu nhan 1990*) and then the Law on Encouragement of Domestic Investment 1994 (*Luat khuyen khich dau tu trong nuoc 1994*) were enacted by the National Assembly (Toan and Walker, 2008). The Law on Private Enterprises 1990 was the first legal documentation to introduce corporate governance concepts and mechanisms in Vietnam. However, there were still many issues in this law such as unclear functions of the management board and the managing directors, and poor investor protection mechanisms. Despite its legal introduction in the Law on Private Enterprises, corporate governance was partially ignored by most of the companies since they neither saw the importance of corporate governance in running business nor used corporate governance as a mean to attract finance. In addition, many managers during this period could not adapt to the new environment which required them to have more capacity to manage and control the firm.

To address this problem, the government sort to create a more enabling legal environment to help managers adapt to new situations while at the same time, to provide legal supports to firms and investors in the context of international integration. Hence, Company Law 1999 and then Company Law 2005 were released. Among all laws and regulations relating to corporate governance, Company Law 2005 and Corporate Governance Rules for Listed Companies 2007 were considered the most important in creating the corporate governance framework in Vietnam. Along with the establishment of the Ho Chi Minh stock exchange in 2000, Company Law 2005 and Corporate Governance Rules for Listed Companies 2007 contributed largely to the development of corporate governance in Vietnam.

Major changes in Company Law 2005 are the detailed provisions about the duties of Boards of Directors and managers. There are clear indications about what the Board and managers have to do, what qualities they must own and how they are paid which would contribute to improved legal investor protection in Vietnam. Company Law 2005 also removes barriers to the maximum percentage of share holdings of foreign investors (before 2005, maximum shareholdings from foreigners were 30% for all types of firms) and allows them to own up to 49% of total shares of corporations (except firms in financial sectors). Other provisions are optional and in their Company Charter, firms may choose to regulate differently. These rules may help to improve monitoring activities as well as managing activities within firms.

To provide a more detailed explanation about corporate governance regulations included in Company Law 2005, the Corporate Governance Rules for Listed Companies were released in 2007. This legislation provides detailed guidance for listed firms to improve further their corporate governance system. However, the extent to which these two legislations improved corporate governance as well as the impact of changes in corporate governance on firm performance in Vietnam is still unknown. It is important now to assess the impact of current legislation and recommend changes to enhance the practice.

In 2006, the World Bank released a Report on Observance of Standards and Codes (ROSC) in Vietnam, which described corporate governance practice and provided recommendations to the Vietnamese Government. The report claimed that important steps had been taken in order to establish corporate governance frameworks in Vietnam. However, there were still challenges that might prevent further development in a corporate governance system, such as the capacity of the securities market regulator, enforcement of regulatory compliance, regulation of informal securities market (i.e. the “over the counter” - OTC market), training of corporate directors and managers on corporate governance or information disclosure (The World Bank, 2006). Recently, the *Doing business report 2012* (released annually by the World Bank) also showed the decline in legal investor protection levels in Vietnam as well as suggested further issues in corporate governance that need to be carefully considered by the Government (The World Bank, 2012).

Generally, corporate governance in Vietnam is still in an early development stage and needs more solid legislation to support the process. Therefore, it is important to obtain an assessment of the impact of current legislations on corporate governance practice and recommend changes to policymakers.

5. Research methods

The thesis answers the three research questions by using different research methods combining quantitative and qualitative analysis, in which chapter 2 utilizes archival data to run a regression to quantify the relationship between independent directors and firm performance while chapter

3 and chapter 4 uses surveys to collect primary data for both quantitative and qualitative analysis.

In the empirical part of this thesis (chapter 2), the research method is quantitative analysis via publicly available archival data. The purpose of chapter 2 is to examine the relationship between independent directors and firm performance in Vietnam using the release of new Corporate Governance Code in 2012 as an exogenous shock. Data were collected over the period of five years from 2010 to 2014 with the year 2012 being the event year. The selected sample is 217 companies listed before 2010 on both Ho Chi Minh and Hanoi Stock Exchanges.

Corporate governance data (for example the proportion of independent directors, CEO duality or board size) was manually collected from published annual reports in the "corporate governance" section. If there was not sufficient data on annual reports, IPO documentation and annual corporate governance were examined for supplementary information. Financial data (such as leverage, total assets, earnings before interest and tax, sales growth, etc.) was collected from the World Scope database via access to a Datastream workstation.

In chapter 2, we used several ordinary least square (OLS) regressions to test research question 1. The first OLS regression was between the proportion of independent directors against firm performance with several control variables (Board size, CEO duality, firm size, firm age, leverage, sales growth, industry, ownership structure and type of controlling shareholder). A fixed-effect model (firm fixed effect and time fixed effect) and difference in difference (DID) estimate were then used to control for endogeneity in the relationship between independent directors and firm performance. The second regression added an interaction term between independent directors and ownership structure to determine whether the relationship between independent directors and firm performance is different between firms with concentrated ownership and dispersed ownership. Finally, in the third regression, another interaction term between independent directors and type of controlling shareholders was used to test if the relationship between independent directors and firm performance is different between firms with the state as the controlling shareholder and firms with the private as the controlling shareholder. The statistical software package SPSS was used to conduct all the analyses.

The research method adopted in the other two chapters of the thesis (chapter 3 and chapter 4) is quantitative and qualitative analysis in which a survey was used to collect information from independent directors in listed companies in Vietnam. The purpose of this survey is to investigate the perceptions of independent directors on their roles and challenges in corporate governance in Vietnam (chapter 3). In addition, information on cultural background and the creation of accountability of independent directors is also collected to examine if there is any intra-cultural difference between independent directors in the north and the south of Vietnam and whether this difference is associated with the creation of accountability of these directors (chapter 4). The survey was sent to 810 independent directors in 354 listed companies via post mail, and we received 190 responses of which 170 responses were usable after eliminating incomplete responses and responses that failed the manipulation checks. This response rate of 21% is reasonable given that the targeted participants of the survey are leaders of listed companies.

The survey has five parts. Part 1 collected demographic information on survey participants. Parts 2 to 4 are used in chapter 3 where part 2 consisted of three hypothetical scenarios to measure the creation of accountability of independent directors while part 3 and part 4 measured the cultural background of independent directors against two cultural dimensions and one cultural attitude (i.e., the individualism/collectivism dimension and attitude toward risks). Questionnaires in these parts were developed from similar studies by Roberts et al. (2005) (in part 2), Shuruf et al. (2007) (in part 3) and Blais and Weber (2006) (in part 4). Part 5 focuses on the roles of and challenges for independent directors. Questionnaires in part 5 were developed from the survey in the study of Brooks et al. (2009) and from reviewing related literature.

Responses to the survey are then analyzed by SPSS software where chapter 3 uses descriptive data to examine the roles of and challenges for independent directors in Vietnam taking into account the influence of controlling shareholders. Chapter 4 uses a one-way analysis of variance (ANOVA) and independent sample t-test to investigate the cultural difference between the north and the south in Vietnam and whether this difference is associated with the difference in creating accountability of independent directors in corporate governance.

6. Structure of the Thesis

The presentation of this thesis is by publication format and comprises three independent research papers. The overall purpose of this thesis is to examine whether independent directors operate indeed as an effective internal control mechanism in corporate governance in Vietnam as a transition economy (Refer to figure 1 for the overall structure of the thesis). The first paper (in chapter 2) is an empirical study that explores the relationship between independent directors and firm performance in Vietnam taking into consideration the effect of ownership structure and different types of controlling shareholder. We then attempt to explain the negative relationship between independent directors and firm performance found in the first paper by examining independent directors from an internal corporate governance perspective and gaining deeper insights into independent directors' perceptions of their roles and challenges on the board. Thus the second paper (in chapter 3) provides an overall picture of how independent directors in Vietnam recognize their roles in the boardroom and of their challenges in corporate governance. Further, the third paper (in chapter 4) examines the influence of an external factor – culture – on independent directors, in particular, the creation of accountability and investigates if the cultural background of independent directors may influence their accountability.

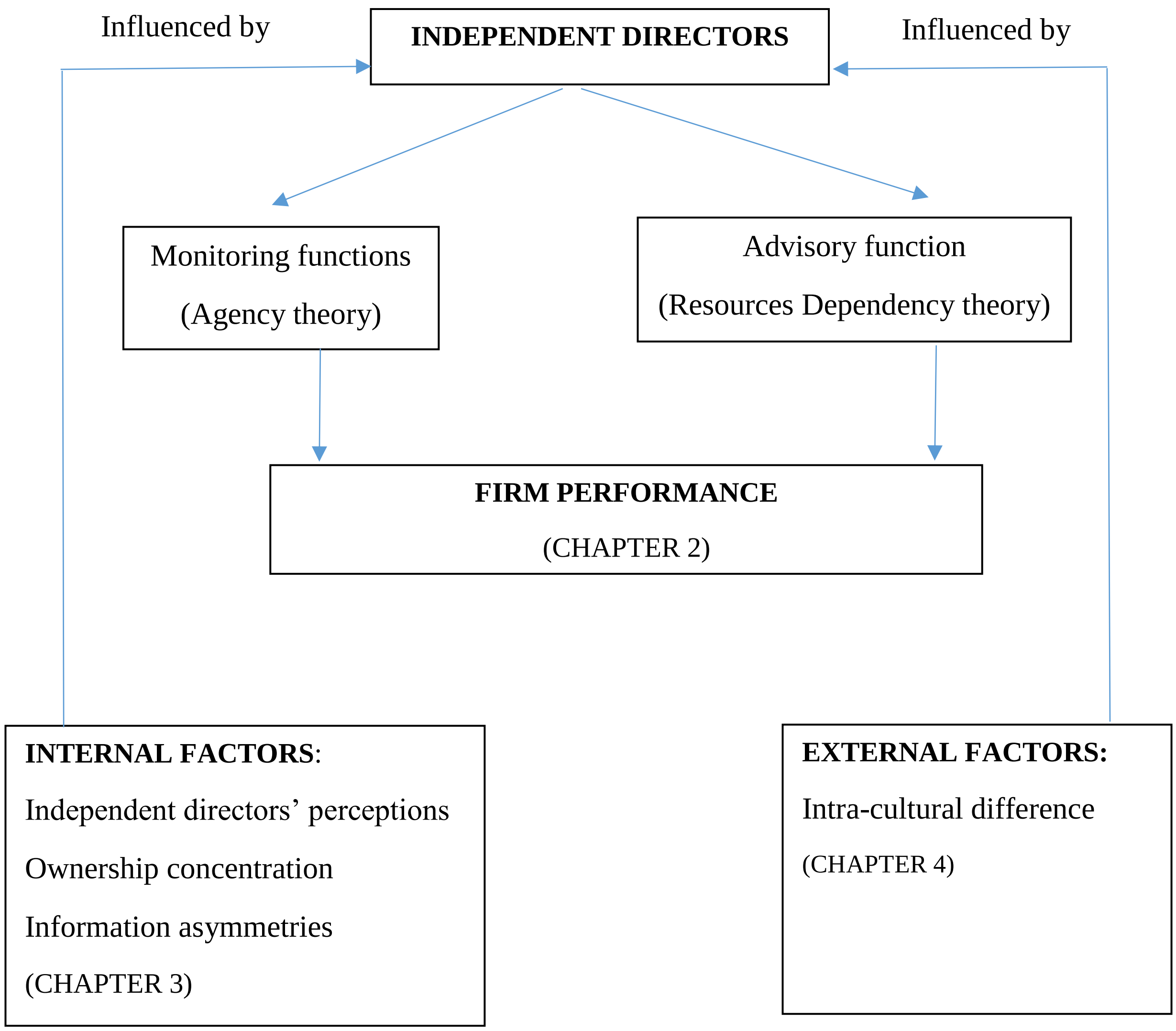
The aims and motivations of these papers are presented as follows:

6.1 Paper 1 (Chapter 2): Independent directors, ownership concentration and firm performance in listed companies: Evidence from Vietnam

6.1.1 Aim

Research on the relationship between independent directors and firm performance has spread widely through developed countries to emerging and developing countries. Evidence about this relationship is inconclusive in US-based studies while the relationship is consistently positive in studies based in emerging and developing countries (Liu et al., 2015). However, little is known about this relationship in one particular group of countries – those with transition economies. Although sharing similar conditions as emerging and developing countries, transition economies experience a high degree of ownership structure with the State as the dominant controlling shareholder. Thus the relationship between independent directors and firm performance in these countries is still unclear. The primary purpose of paper 1 is to examine the relationship between independent directors and firm performance in Vietnam as a transition economy, taking into account the presence of controlling shareholders and the dominance of the State as a major controlling shareholder. An earlier version of this paper was presented at the 3rd Vietnam International Conference in International Finance in 2016. This paper (co-authored with Elaine Evans and Meiting Lu) has been accepted for publication by the Pacific Accounting Review. The author of this thesis contributed 80 percent to this paper.

Figure 1.1: Overall thesis structure



6.1.2 Motivation

The paper is motivated by the recent adoption of independent directors in Vietnam and the research problem raised in a working paper published by the World Bank. The notion of "independent directors" was introduced to Vietnam after the release of the Corporate Governance Code for Listed Companies in 2012. The release of the new legislation was considered as a reform to corporate governance in Vietnam after the Global Financial Crisis (GFC) in 2008. In 2015, a working paper published by the World Bank investigated the impact of this corporate governance reform by examining two companies which experienced significant changes in both corporate governance structure and firm performance after the new Code. In this working paper, one key change that has been emphasized is the increasing number of independent directors on the board, and the paper suggested that this change may positively contribute to firm performance. However, this working paper does not show clearly how independent directors contribute to improving the performance of the board or firm performance in these two companies. This motivated the present author to expand the study by utilizing a large sample of listed companies in Vietnam to examine the relationship between independent directors and firm performance.

In addition, the uniqueness of Vietnam as a developing and transition economy is another motivation for this study. As a developing country, Vietnam shares some common features with other developing countries such as weak external governance mechanisms. Vietnam is also a transition economy with a significantly high concentration of ownership and the dominance of the State as a major controlling shareholder. This provides a valuable context for examining the relationship between independent directors and firm performance, particularly under the presence of different types of controlling shareholders.

6.2 Paper 2 (Chapter 3): Roles of and challenges for independent directors in transition economies – Evidence from Vietnam

6.2.1 Aim

After a number of corporate collapses globally, independent directors have been central to regulatory reform in corporate governance due to their important role in monitoring management to mitigate agency costs as well as in improving risk management (Le Mire and Gillian, 2013). However, it is unclear to what extent independent directors recognize their responsibilities, duties, and challenges in the boardroom with regard to monitoring and advisory functions, although there might be some guidelines in the related legislation. Particularly in countries with weak corporate governance, independent directors may not fully recognize their duties/roles due to the lack of detailed guidelines in the governance codes (Kakabadse and Sanders, 2010). The purpose of this paper is to survey independent directors in listed companies in Vietnam to understand their perceptions of their roles and challenges when participating on their boards. An earlier version of paper 2 was presented at the Vietnam Symposium in Banking and Finance in 2016. The paper was co-authored with Elaine Evans and Meiting Lu. The author of this thesis contributed 80 percent to this paper.

6.2.2 Motivation

The literature has pointed out that one possible reason why independent directors may not be efficient in improving both the monitoring power of the board and firm performance is because independent directors do not fully recognize their duties/roles on the board (Kakabadse and Sanders, 2010). This issue may be more serious in transition economies where independent directors were introduced recently into corporate governance code, and the guidelines in the codes are either too complicated, as in China (Clarke, 2006), or too general, as in Vietnam. In Vietnam, the notion of independent directors was implemented in 2012 in new Corporate Governance Code. Thus the concept of independent directors is new to all parties in listed companies including board members, management, and individuals who are appointed as independent directors. The lack of guidelines contained in the legislation on the responsibilities and roles of independent directors remains a challenge to independent directors when participating on a board.

Motivated by the release of new corporate governance code as well as the transitional nature of the corporate governance system in Vietnam, this paper examines the perceptions of independent directors to understand how these directors recognise their roles, duties, and challenges on the board of directors of listed companies in the release of the new goverannce codes in 2012.

6.3 Paper 3 (Chapter 4): Impact of cultural difference between the north and the south of Vietnam on creating accountability of independent directors

6.3.1 Aim

The independent directors' ability to become involved in a company's business and to create accountability is critical to improving the effectiveness of monitoring management as well as enhancing investor confidence in the company (Roberts et al., 2005). In creating accountability, cultural dimensions such as individualism/collectivism and cultural attitudes such as the attitude to risk are important in forming the board's decision-making culture and in building relationships between independent directors and other board members and managers. However, the question "to what extent does culture affect the creation of accountability of independent directors?" remains unexplored. Therefore, this paper aims to investigate the relationship between the cultural backgrounds of independent directors and creating accountability of directors on the board. In particular, we explore this question in the context of Vietnam – a culture-rich country to examine if intra-cultural difference within a country is associated with a difference in creating accountability of independent directors. An earlier version of this paper (co-authored with Associate Professor Elaine Evans and Dr. Meiting Lu) was presented at the Vietnam Symposium in Banking and Finance in November 2016. This paper is also accepted for presentation at the EAA 40^{th} Annual Congress 2017 in Spain. The author of this thesis contributed 80 percent to this paper.

6.3.2 Motivation

Roberts et al. (2005) proposed a framework for a study on creating accountability of independent directors. Huse (2005) suggested a possible link between creating accountability of independent directors and culture. However, there is no empirical study to confirm the association between creating accountability and culture.

In addition, comparative studies on culture commonly assume that cultures are homogenous at the country level. Hence research is based on cross-country analysis. However, several scholars have argued that some countries are indeed culturally rich, countries like the US (Deer et al., 2014), Switzerland, India (Usunier, 1998), Canada (Tung, 2008) and Vietnam (Ralston et al., 1999; Kim, 2007). Concerning the cultural distance found in the literature, some authors claimed that intra-cultural variation could explain cultural distance as much if not more than inter-cultural variation (Au, 2000; Shenkar, 2001). Moreover, a cultural difference within a country may result in additional issues in various aspects of its society and economy (Deer et al., 2014). Thus, intra-cultural studies are necessary to extend research on the impact of culture further. Currently, studies on intra-cultural difference within a country and its impact are rather limited, and there is a call for further research in this inter-disciplinary field of research (Deer et al., 2014; Patel, 2013).

Aiming to fill the gap in the literature on intra-cultural difference as well as the link between culture and creating accountability of independent directors, this paper investigates if (1) there is any intra-cultural difference within Vietnam and (2) there is any association between intra-cultural difference in Vietnam and the creation of accountability of independent directors in Vietnam. Vietnam is a multi-cultural country due to its historical development. After a period of development closely related to China, the war against the French (in the early 20^{th} century) and the civil war between the north and the south of Vietnam (from 1954 to 1975), Vietnam was divided into two regions – the north and the south. The north of Vietnam was heavily influenced by Chinese culture whereas culture in the south was more western oriented (Ralston, et al., 1999). This regional cultural difference in Vietnam provides a unique and relevant context for an intra-culture research study that links the intra-cultural difference in Vietnam with the difference in creating accountability of independent directors.

7. Contribution of the Thesis

Overall, this thesis contributes to the international accounting and finance literature on corporate governance, particularly in transition economies in several aspects. First, it extends the international literature in accounting and finance by providing additional evidence of the relationship between independent directors and firm performance in a transition economy. Although sharing similarities with emerging and developing countries, the relationship between independent directors and firm performance in Vietnam was found to be negative which contradicts with most of the findings in other emerging and developing countries. We argued that the reasons for this negative relationship are mainly due to a high level of concentrated ownership structure and the dominance of the State as the largest controlling shareholder. These are the unique features of corporate governance in transition economies which may make the relationship between independent directors and firm performance in these countries differ from those of other emerging and developing countries.

Second using Vietnam – a transition economy – as a context, the thesis extends the literature on the influence of controlling shareholders on both independent directors and the relationship between independent directors and firm performance. Prior literature found a mixed result on the influence of controlling shareholders on this relationship and only few studies compared the influence of the State as the controlling shareholder and private controlling shareholders. Using a quantitative approach in chapter 2, the study provides empirical evidence that the relationship between independent directors and firm performance can be affected by the presence of different type of controlling shareholders (the State versus the private). In particular, both the State and the private as controlling shareholders negatively influenced on the relationship. In chapter 3, by using a qualitative approach via a survey, the thesis points out how ownership concentration creates challenges for independent directors in a situation of weak corporate governance. Examples of these challenges are the dominance of controlling shareholders on the board that disable the power of independent directors or the use by controlling shareholders of their voting power to influence the appointment of independent directors. Most of the previous papers focus on the quantitative measure of this relationship, but few has directly asked independent directors "how does ownership concentration affect your role?” Results in these two studies are critical for transition economies since ownership concentration in corporate governance is very common.

Third, the thesis also contributes to the literature on international management by examining the effect of the State on corporate governance in transition economies. Chapter 2 found that the State as a controlling shareholder adversely influences the relationship between independent directors and firm performance. This demonstrates that the participation of the State has a negative effect on one of the important internal control mechanisms in corporate governance in Vietnam. Additionally, in chapter 3, via a survey, we found that independent directors in many listed companies with State ownership in Vietnam are faced with numerous challenges because of the dominance of the State in corporate governance.

The thesis also makes several contributions to the literature on independent directors. First, in chapter 3, it explores the perceptions of independent directors in Vietnam from four perspectives – their role, their accessibility to information, their interaction on the board, and the challenges in their work as an independent board member under the presence of controlling shareholders. Most of the previous studies on independent directors focus on developed countries such as the US or Australia where corporate governance and its supporting institutions are well developed (Brooks et al., 2009). However, little is known about independent directors in countries with weak corporate governance and a lack of supporting institutions. Moreover, differences in economic development and business environment can also result in different perceptions of independent directors as well as different challenges to independent directors (Aguilera et al., 2008).

Second, the thesis examines how cultural differences influence the creation of accountability of independent directors in chapter 4. Accountability of independent directors is an important factor that affects the effectiveness of the corporate board as well as affecting investor confidence (Roberts, et al., 2005). Due to the importance of accountability, it is critical to identify factors that may affect the creation of accountability of independent directors, yet research on this issue is still underdeveloped. Finally, taking a multicultural country for study, chapter 4 provides evidence that intra-cultural differences within a country can be associated with differences in the behaviour of independent directors, and thus relates to a difference in creating accountability of independent directors. This is an important finding because it demonstrates that even within a country the effectiveness and behaviour of independent directors can be different due to different cultural backgrounds. Policy makers and practitioners need to be aware of this issue when considering a new policy relating to independent directors.

In addition to the contributions made by each paper, the thesis provides an overall picture of independent directors in Vietnam. After first being introduced in the new Corporate Governance Code for listed companies in 2012, independent directors were expected to become a critical element of corporate governance systems to enhance the internal monitoring of management as well as controlling shareholders. However, to the best of our knowledge, there is yet no study which goes deeply into the perceptions of independent directors to explore their effectiveness as well as the challenges for their roles on their boards. This thesis demonstrates that there are numerous challenges faced by independent directors in corporate governance that prevent them from being effective and from contributing to improving firm performance. Our study is the first attempt to explore independent directors after legislative reform from various aspects to point out the limitations of independent directors in the corporate governance of listed companies in Vietnam. It also provides several implications and recommendations for policy makers and practitioners to further enhance the functions of independent directors as well as the whole corporate governance system.

8. Organisation of the Thesis

The remainder of the Thesis is structured as follows. Chapter 2 examines the relationship between independent directors and firm performance, particularly under the influence of (1) different ownership structures and (2) different types of controlling shareholders. Chapter 3 examines the perceptions of independent directors on their roles and challenges on the board. Then, chapter 4 explores whether there is a cultural difference between the north and the south of Vietnam and whether the cultural difference is associated with a difference in creating accountability of independent directors in listed companies. Finally, conclusions and implications are discussed in chapter 5.

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Chapter 2: Independent directors, ownership concentration and firm performance in listed companies: Evidence from Vietnam[3]

Abstract

Purpose: The purpose of this paper is to investigate the impact of independent directors on firm performance in Vietnam and identify how different types of ownership structure and the presence of controlling shareholders influence the relationship.

Design/methodology/approach: On a sample of 217 non-financial Vietnam-listed companies during the period from 2010 to 2014, this study uses OLS regressions to estimate the relationship between independent directors and firm performance. Two econometric techniques – the fixed effects estimation and the difference in difference estimation – are used to control for endogeneity. The results are also robust to the lag variable of independent directors.

Findings: The results reveal that independent directors have an overall negative effect on firm operating performance. This finding may be due to information asymmetry, expertise disadvantage and the dominance of ownership concentration that prevent independent directors from fulfilling their monitoring function in governance. The negative relationship between independent directors and firm performance is stronger in firms where the State is a controlling shareholder.

Research implications: Findings suggest that changes relating to independent directors, as a response to the new corporate governance code in 2012, do not have a positive effect on the relationship between corporate governance and firm performance. Further reform is required to improve internal control mechanisms and corporate governance systems in Vietnam.

Originality: This is the first study that provides robust evidence on the relationship between independent directors and firm performance in Vietnam as well as to explore the impact of the type of controlling shareholders on the relationship.

[3] This research paper has been accepted for publication by Pacific Accounting Review

Key words: **Corporate governance, Independent directors, Firm performance, Vietnam**

1. Introduction:

The relationship between corporate board structure and firm-level outcomes has been one of the most researched topics in corporate governance for over two decades (Liu et al., 2015). Theoretically, independent directors supply an internal governance mechanism that can mitigate the agency conflict between shareholders and managers arising from the separation of ownership from control, thus contributing to improvement in firm performance (Hermalin and Weisbach, 2003).

However, it seems that there is no clear evidence of any robust relationship between board independence and firm performance in US companies (Hermalin and Weisbach, 2003) while the relationship appears to be consistently positive in non-US countries (Klapper and Love, 2004). The positive relationship between independent directors and firm performance found in emerging and developing countries might be a consequence of the substitution effect between internal and external governance mechanisms (Liu et al., 2015). In these countries, the external governance mechanisms to protect investors tend to be rather weak (Young et al., 2008), hence, independent directors become an important internal governance mechanism that alleviates agency conflicts and enhances firm performance (Ferreira and Matos, 2008).

In this paper, we investigate the relationship between independent directors and firm performance in Vietnam, a country that has been classified as a developing country and a transition economy. As a developing country, Vietnam has a concentrated ownership structure and a weak institutional environment where the level of investor protection is low (Doing business, 2012). Besides, as a transition economy, Vietnam has a further significant feature, which is the dominance of State-controlled firms in listed sectors. Vietnam, therefore, provides a unique setting for the study of the relationship between independent directors and firm performance with the coexistence of State control and ownership concentration.

The importance of independent directors as an internal governance mechanism can be reduced by the presence of a controlling shareholder. In companies with ownership concentration, there are two core agency conflicts often arise within company - the one between shareholders and managers and the other between controlling shareholders and minority shareholders (Young et al., 2008). In these companies, independent directors are supposed to mitigate the conflict between controlling shareholders and minority shareholders. However, there is a risk of collusion between controlling shareholders and independent directors (Park and Shin, 2004).

The existence of ownership concentration raises the question: Will the controlling shareholders limit the contribution of independent directors to firm performance?

Recent literature has explored the relationship between independent directors and firm performance under the influence of controlling shareholders in the context of government-controlled firms and has emphasized transition economies because of the significant participation of the State as a controlling shareholder in companies (Liu et al., 2015). The State, as a controlling shareholder, may have negative impacts on corporate governance (Grosman et al., 2016). Further, the target of the State in a firm might be market share or levels of employment but not necessarily profit maximization. Therefore, it cannot be assumed that firms under the control of the State will behave in the same manner as private firms (Bruton et al., 2015).

Empirical evidence of the influence of controlling shareholders on the relationship between independent directors and firm performance is rather limited. Prior studies have tended to focus on China, the largest transition economy (see, for example, Liu et al., 2015). However, the literature neglects many other transition economies such as Eastern European countries and Vietnam (Grosman et al., 2016). Due to the difference in economic development and economic integration into the world economy as well the difference in the level of governmental efficiency between China and other transition economies (Vu, 2009), it is unclear whether the positive relationship between independent directors and firm performance found in China can be generalized to other transition economies. There is a call for further research on corporate governance and State control in transition economies as State control over firms in these countries can take different forms and have different consequences (Musacchio et al., 2015).

Using Vietnam as a case study, this research will answer two specific research questions: "***What is the impact of independent directors on firm performance in Vietnam?***" and "***How do differences in the type of controlling shareholders influence the relationship between independent directors and firm performance in Vietnam?"***

This paper contributes to the literature in several aspects. Firstly, it provides additional evidence of the relationship between independent directors and firm performance under the presence of a controlling shareholder in a transition economy. Prior literature has extensively explored this relationship in developed and developing countries, but little is known about transition economies. Due to the nature of transitioning, these economies are different from other developing countries in areas such as the lack of supporting institutions including legal systems and other external governance mechanisms, as well as the dominance of the State as a controlling shareholder in the company (Grosman et al., 2016). In this situation, internal mechanisms such as independent directors appear to be critical to the improvement of corporate governance, yet only a few studies have been undertaken in transition countries (Liu et al., 2015; Kakabadse et al., 2010). Secondly, the findings from this study will extend the literature on the influence of controlling shareholders on the relationship between independent directors and firm performance by comparing that relationship under the influence of different types of controlling shareholders. Prior studies focused mainly on controlling families or governments individually but, in this study, we investigate if different types of controlling shareholders, that is, private shareholders and the State, exhibit different effects on independent directors' contributions to firm performance. The findings from this study provide important implications for Vietnam in making necessary changes in ownership structures for further economic and corporate governance reform. Finally, taking advantage of new legislation released in 2012, this study utilizes the difference in difference (DID) method along with the fixed effects (FE) estimate to control for endogeneity highlighted in corporate governance literature. Thus, the findings reflect the robust relationship between independent directors and firm performance in Vietnam.

This paper is structured as follows. Section 2 reviews the literature on the impact of independent directors on firm performance and how the type of controlling shareholders may affect this association. Two hypotheses are then developed in Section 3. Section 4 describes the data sources and research design. Data description is presented in Section 5, a discussion of the results is provided in Section 6 and Section 7 summarises the conclusions and provides implications and limitations.

2. Literature review

2.1 Corporate governance and independent directors

Corporate governance is considered as a system of checks and balances to mitigate abuse by executives and reduce conflicts of interest between owners and management (Larcker et al., 2011). In that system, the board of directors is a central element of corporate governance and provides a key monitoring function to deal with agency conflicts within the company (Lefort and Urzua, 2008). Theoretically, the board of directors represents the interests of shareholders in the company and is an institution that helps to protect shareholders benefits.

The existence of a board is more common today but how the board is structured and what the members do still attracts the interest of both academia and practitioners. Normally, a board of directors consists of both insiders and outsiders, but controversy surrounds the optimal ratio of insiders and outsiders on the board as well as the incentives for different directors (Adam et al., 2010). Among outsiders, independent directors are assumed to be able to provide better monitoring of management. Thus, companies with more independent directors are more likely to be in a better position to protect shareholders' interests (Bhagat and Black, 1998).

However, according to Bhagat and Bolton (2008), numerous examples continue to demonstrate that independent directors are not always effective at monitoring management. Cases such as General Motors, American Express, IBM, Kodak, Chrysler. suggest that independent directors can be ineffective in monitoring management although these particular companies frequently maintained a majority independent board. The mixed empirical results on the impact of independent majority director boards on monitoring activities suggest that the monitoring function of independent directors can differ according to companies' circumstances.

2.2 The relationship between independent directors and firm performance

While the effectiveness of independent directors is still under debate, the question about whether independent directors contribute to improving firm performance is also under investigation. A considerable literature targets this problem across different groups of countries, but without a consistent conclusion. For example, Bhagat and Bolton (2008) reviewed the previous literature on US companies and concluded that the association between independent directors and firm performance is not significant both in short-term and long-term performance measures. In contrast to the US-based findings, the empirical evidence in non-US countries revealed results that are more consistent, with most of the studies showing a positive relationship between board independence and firm performance.

Comparative studies use a group of countries to investigate the relationship across countries, for example, Dahya et al. (2008). Using a data set from 22 non-US countries, Dahya et al. (2008) found a positive relationship between corporate performance and board independence in companies. Some other studies examined the relationship in a single country and reported a consistent positive relationship between independent directors and firm performance (Dahya and McConnell, 2007; Black and Kim, 2012; Liu et al., 2015). Dahya and McConnell (2007) focused on the UK to examine if the Cadbury Report that requires British firms to increase board independence had any effect on firm performance. The findings confirmed the positive impact of new legislation on the relationship between independent directors and firm performance. Similarly, Black and Kim (2012) also found a positive effect on firm performance of new legislation requiring Korean firms to increase the number of independent directors. In a more recent paper, Liu et al. (2015) reported a positive relationship between board independence and firm performance in China. They argued that this positive impact of independent directors was due to the role of directors to constrain insiders' tunnelling[4] and to improve investment efficiency.

All the above studies provide strong evidence on the significant role of independent directors in improving firm performance in non-US countries. However, other mechanisms may also affect the relationship between independent directors and firm performance that we may need to take into account such as the existence of controlling shareholders.

2.3 Controlling shareholders, independent directors, and firm performance

Theoretically, in companies with one or more controlling shareholders present, agency problems are not solely between owners and management but also between controlling shareholders and minority shareholders (Young et al., 2008). In companies with controlling shareholders, there is concern about whether these controlling shareholders will use their voting power to reduce board independence or use independent directors as a monitoring mechanism to prevent management from pursuing self-serving activities (Dahya et al., 2008; Liu et al., 2015). In addition, since independent directors need the voting power of controlling shareholders to be board members, there might be collusion between controlling shareholders and independent directors to exploit the benefits due to minority shareholders (Jiang and Peng, 2010). Therefore, the relationship between independent directors and firm performance can be more complicated with the existence of a controlling shareholder.

Empirical evidence on the impact of controlling shareholders on the relationship between independent directors and firm performance is currently inconclusive. The relationship can differ under the influence of different controlling shareholders according to Garcia-Ramos et al. (2015). By examining a sample of 221 publicly-traded firms in Southern Europe, they found that the contribution of independent directors to improving firm performance in family firms

[4] Tunnelling means expropriating funds that rightfully belong to minority shareholders (Friedman et al, 2003). Tunnelling is normally found in firms with ownership concentration where controlling shareholders can expropriate the benefits due to minority shareholders.

is less than that in firms with another type of controlling shareholder. However, this study only includes private firms in its sample and excludes firms under any form of government control.

The impact of controlling shareholders on the relationship between firm performance and independent directors also differs across countries with different legal investor protection. Dahya et al. (2008), in a cross-country study, reported that controlling shareholders in a country with weak shareholder protection tend to appoint independent directors as a way to improve internal control mechanisms and to increase the level of investor protection within company. However, by appointing more independent directors, controlling shareholders lose the perquisites associated with being controlling shareholders. Thus, not all shareholders choose this option.

Concerning the influence of the government as a controlling shareholder on the relationship between independent directors and firm performance, the majority of studies focus on China, yet many of them suffer from endogeneity problems (Liu et al., 2015). In a recent study, Liu et al. (2015), after controlling for endogeneity, found that in State-controlled firms in China, board independence contributes to enhancing firm performance by reducing insider self-serving and by improving investment efficiency. They argued that this finding implies that the State aims to a send a commitment signal to the market that it will not interfere in company affairs.

This evidence shows that the influence of controlling shareholders on the relationship between independent directors and firm performance may differ across countries and even across firms due to unique settings in each context. Therefore, a country-specific study on this topic is required to take into account unique settings in each country as well as in firms' conditions.

3. Hypothesis development

3.1 Independent directors and firm performance in Vietnam

Theoretically, the role of independent directors in improving firm performance can be primarily explained by agency theory. Under an agency theory framework, independent directors play a pivotal role in improving the efficiency of the board of directors as well as reducing agency costs in a company by way of enhancing the monitoring of management (Hermalin and Weisbach, 2003). Thus, independent directors help to increase efficiency outcomes and improve firm performance (Aguilera et al., 2008).

Empirical research also shows positive relationships between independent directors and firm performance in emerging and developing countries (for example, Balasubramanian et al., 2010; Prabowo and Simpson, 2011; Black and Kim, 2012, Liu et al., 2015). This is because in these countries, external governance mechanisms are weak, and internal governance mechanisms such as independent directors become more important in corporate governance to enhance the monitoring of management, thus improving firm performance (Liu et al., 2015).

Vietnam as a transition economy shares some common elements with other developing countries regarding external governance mechanisms and economic environment. Taking into account the practice in Vietnam where there is a lack of external monitoring mechanisms, independent directors appear to play an important role in corporate governance to reduce agency costs and enhance the quality of the corporate governance system. Further, in 2015, a paper published by the International Finance Corporation (IFC) on corporate governance in Vietnam proposed that the introduction of independent directors in 2012 marked an important turning point in improving corporate governance systems (Centre for Asia Private Equity Research Ltd, 2015). However, the problem is that the study came to the above conclusion by observing the changes in the corporate governance of two listed firms only.

Based on the recommendation of the IFC paper, as well as from prior literature on the relationship between independent directors and firm performance in other developing and emerging countries, we can expect a positive relationship between independent directors and firm performance. Therefore, we propose the following hypothesis:

H1: ***The proportion of independent directors on the board will have a positive association with firm performance***

3.2 The relationship between independent directors and firm performance under the influence of different controlling shareholders

Studies of the influence of controlling shareholders on firm performance have provided mixed findings. According to Young et al. (2008), in a company with concentrated ownership, there are two agency conflicts – principal-agent conflicts and principal-principal conflicts. Under the principal-principal conflict, there is concern about whether controlling shareholders could divert corporate resources from other shareholders for their own consumption and benefit (Claessens et al., 2002). Moreover, the controlling shareholder who has majority control over the company can appoint the manager as well as other board members including independent directors; hence, there is no separation between ownership and control. Therefore, the prior literature suggests that the existence of principal-principal conflicts negatively affects the relationship between independent directors and firm performance (Lefort and Urzua, 2008; Fan et al., 2011). However, this impact of controlling shareholders is different between different types of controlling shareholders (Dahya et al., 2008).

Concerning controlling shareholders, different types of controlling shareholders affect companies in different ways. Bruton et al. (2015) argued that, theoretically at least, firms with State ownership will be managed in a different manner compared to private firms.[5] This is because the primary goals of the State can be increased market share, optimal levels of employment or the provision of social services to the community whereas the chief goal of private firms is profit maximization. Empirically, Dahya et al. (2008) argued that the government as a controlling shareholder can stand behind a politically connected director or manager who can divert a company's resources for his/her own consumption. In addition, Fan et al. (2007) claimed that the Chinese government, which is an active shareholder, intervenes in company management to pursue social and political goals along with the goal of shareholder wealth maximization. These claims have been confirmed by several studies in China such as Bai et al. (2004) and Hu et al. (2010).

Currently, government-controlled firms in Vietnam are prevalent in the stock market. The intention of the Government to maintain its control over the economy was emphasized at the latest Communist Party Congress in 2016.[6] To achieve this target, the government needs to use firms with State ownership to serve its political and social goals along with the company's strategic objectives. Therefore, we argue that the presence of the government as a controlling shareholder undermines the impact of independent directors to improve firm performance.

In addition, due to weak legal investor protection in Vietnam, most firms have ownership concentration where controlling shareholders can be either the government or private shareholders. According to Nhung and Okuda (2015), the State maintains its control over firms with State ownership by providing financial support and incentives while private firms have limited access to loans from banks as they are smaller and have less support from the State. Thus, capital raised from the stock exchange becomes critical for private firms to obtain funds for business expansion. Improvement in corporate governance can be a positive signal sent to

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[5] In the context of this paper, we classify firms in Vietnam into two groups – firms with State ownership (SOEs) and firms with non-State owner (Private firms). This classification emphasizes the interests of the controlling owner - SOEs are assumed to target State interests whereas private firms are assumed to target non-State or private interests.

[6] http://globalriskinsights.com/2016/02/business-as-usual-after-vietnams-12th-party-congress/

investors in the market. Therefore, we expect that the relationship between independent directors and firm performance in private companies is stronger than in firms with State ownership.

Thus, the following hypotheses will be tested:

H2a: The existence of ownership concentration adversely influences the relationship between independent directors and firm performance.

H2b: If the controlling shareholder is the State then the relationship between independent directors and firm performance is worse than if the controlling shareholder is not the State.

4. Data and research method

4.1 Data collection

The purpose of this research is to examine the relation between independent directors and firm performance in Vietnam using the change in corporate governance legislation in 2012 as an exogenous shock to control for endogeneity. Hence, data were collected over the period from 2010 to 2014 with the event year being 2012 – the year when Corporate Governance Rules for Listed Companies came into effect and changes in corporate governance in listed firms began, in accordance with the new rules.

Initially, the sample was taken from firms listed before 2010 on the Ho Chi Minh Stock Exchange (HoSE) and Hanoi Stock Exchange (HaSE). Since HoSE was established in 2000 and HaSE was established from 2005, the number of firms listed by 2010 was limited to 203 non-financial companies in HoSE and 150 non-financial companies in HaSE. After eliminating companies with missing data, the sample size is 217 listed firms.[7] We take this sample for data collection over five years. Although 682 companies are currently listed, the sample of 217 companies can be regarded as representative of the whole market because the total market capitalization of those 217 companies comprises approximately 70%[8] of the market and the sample includes the top 20 largest companies with regard to market capitalization.

Data used in this study were collected from various sources. Governance related variables such as independent directors, CEO duality, and board size were manually collected from the "Corporate governance" section of published annual reports. If there was not sufficient detail

[7] This is because the data management and recording for listed companies in HaSE is rather weak. In the World Scope database, not all companies in HaSE have sufficient data for the period from 2010 to 2012.
[8] All numbers are recorded at the end of 2015 according to *investment review magazines*, 2015.

on independent directors in the companies' annual reports, we examined corporate governance reports and IPO documentation for supplementary information. "Bonus to employees" data was collected from shareholders' meeting minutes in the "distribution of profit" section. Other financial variables (such as leverage, earnings before interest and tax, and sales growth) were collected from the World Scope database via access to the DataStream Interface.

4.2 Research design

The basic methodology consists of estimating a series of ordinary least squares (OLS) multivariate regression models for panel data across 217 companies over a five-year period. The dependent variable is firm performance, and the independent variables are board independence and control variables.

In the corporate governance literature, there are two types of measurement of firm performance: accounting measures (Elsayed, 2007; Masulis et al., 2012) and market value measures (Elsayed, 2007; Black and Kim, 2012). However, since the stock market in Vietnam was rather under-developed and highly speculative by nature (Leung, 2015), market-based measures are not as responsive to the firms' economic performance as are accounting measures. Thus, this study uses ROA as a measure of firm performance because it reflects the results of underlying firm economic performance.[9] ROA is calculated by taking earnings before interest and tax (EBIT) divided by average total assets over one year. However, in Vietnam accounting standards, a company can distribute a portion of net income as a bonus to employees.[10] According to international standards such as IAS and IFRS, any payment to employees should be treated as an operating expense. Thus, we collect information on "bonus to employees" then subtract it from EBIT (if any) to derive our own ROA.

Independent variables include a variable that measures the proportion of independent directors (%In) – the percentage of independent directors on the board of directors. To be qualified as independent, a director needs (1) to be a non-executive director and have no relationship with management team members; (2) not to be on the board of directors or board of management of companies' subsidiaries, of affiliated companies, or of parent companies; (3) not to be a controlling shareholder or the representative of controlling shareholders or to have a

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[9] We have also considered ROE as a measure of firm performance but the number of observations is rather low as compared to ROA so we decided to choose ROA as the key measure of firm performance and ROE is used for a robustness check.

[10] According to Circular on guidelines for Accounting Policies for Enterprise No. 201/2009 dated October 15, 2009.

relationship with controlling shareholders; and (4) not to have worked for the company's legal consultation firms or audit firms in the last two years.

Other independent variables are control variables, which are used to control for the differences between firms, including corporate governance variables and firm-specific variables, to ensure that the estimated models may reduce specification errors. The included corporate governance variables are board size (Ln_BSIZE) (Alsayed, 2007), CEO duality (CEODUAL) (Liu et al., 2015) and ownership structure (OWNSTRUC) (Fan et al., 2011). Ln_BSIZE is measured by the log of the total number of board members. CEODUAL is a dummy variable that has the value of 1 if the CEO is also the chairperson of the board and 0 otherwise. We add OWNSTRUC[11] with the value of 1 for firms with concentrated ownership and 0 otherwise.

With regard to firm-specific control variables, this study uses firm type (FTYPE), firm size (FSIZE), leverage (LEV) and firm age (FAGE). FTYPE is a dummy variable with value 1 for firms with the State as the largest shareholder and where the State owns more than 20% of total shares and 0 otherwise. FSIZE is defined as the natural log of total assets. We measure firm size by total assets because larger total assets provide firms with more potential opportunities for larger returns due to the economies of scale (Elsayed, 2007). LEV is measured by the ratio of total debt to total assets. FAGE is measured by the log of the number of years of being listed on the stock exchange. Further, to control for fundamental changes in the economy, a sales growth (SGRTH) variable is utilized. SGRTH is measured by average sales growth rate over the three years. Finally, we add a control variable for industry (INDUS) which is measured by a number represented for each industry according to Ho Chi Minh Stock Exchange classification.

5. Data description

Before running the OLS regression, data statistical description and analysis are presented to understand the practice relating to corporate governance in Vietnam before and after the implementation of the new legislation in 2012. Table 2.1 provides sample descriptive statistics for the pooled cross-sectional data.

After adjustments to account for the bonus paid to employees from net income, the average ROA for all firms is 9.319% with the median of 8.404%. To assure the validity of the

[11] We have conducted another econometric test using the percentage of ownership of the largest shareholders as a different measure of OWNSTRUC. The results are similar to the current results. We did not report this data on the paper but we can provide the results of this analysis if requested

regression, we winsorized ROA at the 1% and 99% levels, and the total number of observations included in the sample reduces from 1085 to 1057. The average percentage of independent directors (%In) on the board over the period is 25.544% with the median of 20%. If we further analyze this variable in each year, the average of %In in years 2010 and 2011 are 18.79% and 19.67% respectively. However, this number increases from 2012 to 2014 and reaches 30.4% in 2014. This shows that the number of independent directors on the boards of listed companies in Vietnam increased remarkably after the new legislation was released in 2012 (refer to Figure 2.1), yet this number is still lower than the requirement in the code. The new corporate governance code for listed companies in 2012 was released on 26 July 2012, being effective from 17 September 2012, and requires all listed firms to maintain at least one-third of the board as independent directors. Despite this legislation, the fact is that only about half of the listed companies complied with this new requirement in 2013 shows that independent directors in Vietnam are not yet an integral part of the governance system.

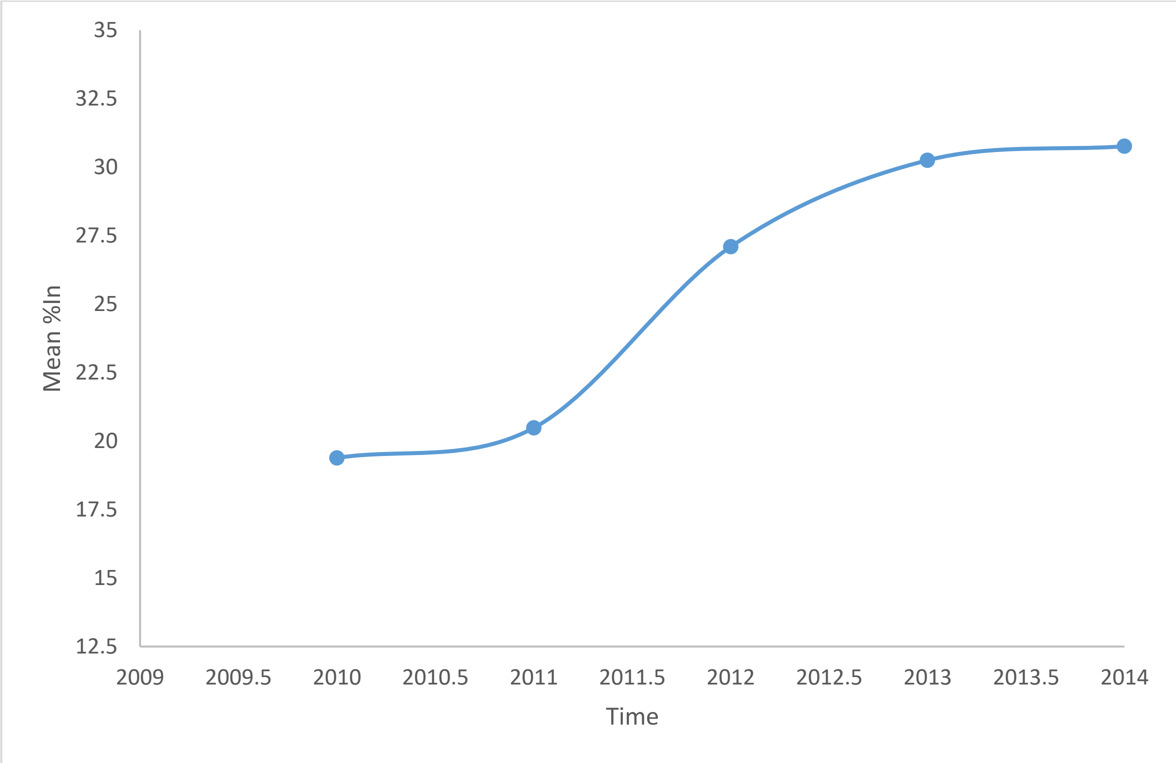
Table 2.1 – Descriptive data analysis

This table reports the summary statistical descriptive data for the all variables. The sample of data relied on here consists of 1036 observations over the period 2010 - 2014. Variables include a dependent variable (Return on asset - ROA) to measure the operating performance of the company. ROA is truncated at the top and bottom by 1%. An independent variable is measured by the proportion of independent directors in the board - %In. Control variables include corporate governance variables and firm specific variables. Corporate governance variables are: (1) CEODUAL - a dummy variable that equals to 1 if a firm's CEO serves as a chair of the board and 0 otherwise, (2) Ln-BSIZE – the natural log of the board size, (3) OWNSTRUC – a dummy variable that has the value of 1 if a firm has concentrated ownership and 0 if a firm has dispersed ownership. Firm specific variables are: (1) LEV – total liabilities over total assets, (2) SGHRTH - average sale growth over 3 years, (3) FTYPE – a dummy variable that has the value of 1 if the State is the largest shareholders and the State owns more than 20% of total shares, 0 otherwise, (4) FAGE – natural log of the number of years of being listed on the stock exchange, (5) FSIZE – natural log of total asset and (6) INDUS – measured by a number represent for each industry according to the stock exchange classification. Descriptive data includes number of observations, mean, median, standard deviation (Std Dev), 25th percentile (Q1) and 75th percentile (Q3).

Variable	N	Mean	Median	Std Dev	Q1	Q3
ROA	1054	9.319	8.404	6.798	4.765	13.050
%ln	1054	25.544	20.000	18.910	14.285	40.000
LEV	1054	32.761	33.300	23.631	10.360	52.757
SGRTH	1054	13.735	12.760	31.432	-1.000	24.640
FTYPE	1054	0.487	0	0.500	0	1
Ln_BSIZE	1054	1.725	1.609	0.196	1.609	1.946
FAGE	1054	1.357	1.609	0.754	1.098	1.946
FSIZE	1054	20.732	20.673	1.267	19.855	21.490
CEODUAL	1054	0.340	0	0.475	0	1
INDUS	1054	2.640	2.890	1.029	1.946	3.466
OWNSTRUC	1054	0.837	1	0.369	1	1

Figure 2.1 – Average percentage of independent directors on board in the period 2010-2014

This figure depicts the time trend of independent directors in the board in sample firms from 2010 to 2014



In Table 2.2, we report the correlation matrix of all variables employed in the regression analysis. None of the independent directors has a correlation coefficient higher than 0.5 in absolute terms, thus alleviating the concerns that multicollinearity will occur.

Table 2.2 – Correlation matrix

This table reports the Pearson correlations matrix of the variables used in the econometric analysis.

	ROA	%In	CEODUAL	Ln_BSIZE	FAGE	FSIZE	SGRWTH	LEV	INDUS	FTYPE	OWNSTRUC
ROA	1										
%In	-.086**	1									
CEODUAL	-.031	.075*	1								
Ln_BSIZE	.052	.048	-.037	1							
FAGE	-.093**	.111**	-.037	.128**	1						
FSIZE	-.059*	-.060	-.079*	.174**	-.037	1					
SGRTH	.239**	-.021	.039	.028	-.309**	.117**	1				
LEV	-.305**	-.052	.008	-.093**	-.068*	.387**	.030	1			
INDUS	.065*	.026	-.156**	.102**	.139**	-.113**	-.052	-.040	1		
FTYPE	.031	-.107**	-.091**	-.103**	.086**	-.045	-.038	-.028	.221**	1	
OWNSTRUC	.039	-.076*	-.081**	-.088**	.005	-.018	-.016	-.017	.098**	.349**	1

*. Correlation coefficients are significant at 5% level (2-tailed)

**. Correlation coefficients are significant at 1% level (2-tailed)

6. Empirical analysis and findings

6.1 Do independent directors affect firm performance?

6.1.1 Basic OLS estimate

We first run a simple ordinary least squares (OLS) regression to examine the relationship between independent directors and firm performance. The model we estimate to capture the basic relationship is as follows:

$$Firm\ performance_{it} = \alpha + \ \beta_1 * \%In_{it} + \beta_j Control_{jit} + \varepsilon_{it}$$

Firm performance is the dependent variable and is measured by ROA. Independent director is our key explanatory variable along with several control variables.

Table 2.3, column (1) presents the result of this estimate. As shown in the table, the percentage of independent directors on the board is negatively associated with firm performance. In effect, an increase of 5% of independent directors in the board (equivalent to adding one more independent director on the board where the average board size in Vietnam is 5.8) leads to a decrease of 0.47% or 47 basis points in firm performance measured in ROA. Other control variables such as leverage, sales growth, and industry have predicted signs as suggested in the literature.

To ensure the robustness of the result found above, we estimate several other regressions to control for endogeneity in the relationship between independent directors and firm performance. According to Liu et al. (2015), endogeneity can arise from unobserved heterogeneity, simultaneity, and reverse causality. Due to these factors, the change in firm performance might not be a direct consequence of a change in independent directors on the board. To address this issue, we employ a panel fixed effect (FE) regression to account for unobserved heterogeneity and a panel difference in difference (DID) regression to control for simultaneity and reverse causality.

6.1.2 Firm fixed-effect estimation

Table 2.3, column (2) reports the regression result from estimating the following ordinary least square (OLS) model with firm fixed-effect and time fixed-effect:

$$Firm\ performance_{it} = \alpha + \ \beta_1 * \%In_{it} + \beta_j Control_{jit} + d_i + d_t + \varepsilon_{it}$$

Firm performance is measured by ROA. The percentage of independent directors on the board is our key independent variable while control variables include several firm-specific variables and governance-specific variables that have been used in the prior literature as potentially related to firm performance.

As shown in Table 2.3 column (2), the proportion of independent directors on the board is negatively associated with firm performance. An increase of 5% in the number of independent directors on the board leads to a significant decrease of 0.185% (or 18.5 basis point) in ROA.

6.1.3 Difference in difference estimation (DID)

DID is an effective empirical method to control for endogeneity recommended in the economics and finance literature (Yang and Zhao, 2015). In this study, we use the release of the new Corporate Governance Code in 2012 as an exogenous shock to analyze whether two groups of firms – one group being affected by the new legislation (the treatment group) and the other group not being impacted (the control group) – exhibit different performance during the regulatory shock. This design mitigates the endogeneity problem because the change in independent directors is triggered by new regulations (Liu et al., 2015). Before 2012, Vietnam had no mandatory requirement for independent directors but after 2012, all listed firms, without exception, are required to have one-third of the board as independent directors. This has resulted in an increase in the number of independent directors sitting on boards after the new legislation. Thus, the change in the number of independent directors is not driven by changes in firm characteristics such as firm performance after the new legislation. This enables us to establish a causal relation between independent directors and firm performance.

As illustrated in Figure 2.1, there is a significant change in the percentage of independent directors in listed companies in 2012 - the year when the new Corporate Governance Code came into effect. Therefore, we will use 2012 as a trigger year in this study. The desired natural experiment was used in the following DID framework to probe the relationship between independent directors and firm performance:

$$Firm\,performance_{it} = \alpha + \beta_1 * Treated * Post\_legis_i + \beta_j Control_{jit} + d_i + d_t + \epsilon_{it}$$

We add a new variable to account for the treatment group in which (1) *treated* is an indicator variable that equals to 1 if firms have an increase in the percentage of independent directors after 2012 as compared with previous period and equal to 0 if there is no change in the number of independent directors. In addition, to ensure there is no self-selection effect in the treatment group, all firms that have already had more than 30% board members as independent directors before 2012 are included in the control group regardless of whether these firms had an increase in the number of independent directors after 2012 or not. (2) *Post_legis* is an indicator variable that has a value of 1 if the sample year is 2012 or later and 0 otherwise.

Table 2.3 – Effect of independent directors on firm performance

This table reports the regression results using several methods with variables including a dependent variable (ROA) to measure the operating performance of the company. Main variables used include: a dependent variable (ROA) to measure the operating performance of the company. An independent variable is measured by the proportion of independent directors in the board - %In. Control variables include (1) CEODUAL - equals to one if a firm has the CEO serves as a chair of the board and 0 otherwise, (2) Ln-BSIZE – the natural log of the board size, (3) OWNSTRUC – a dummy variable that has the value of 1 if a firm has concentrated ownership and 0 otherwise, (4) LEV – total liabilities over total assets, (5) SGHRTH - average sale growth over 3 years, (6) FTYPE – has the value of 1 if the State is the largest shareholders and 0 otherwise, (7) FAGE – natural log of the number of years of being listed, (8) FSIZE – natural log of total asset and (9) INDUS – measured by a number represent for each industry. Column (1) is the basic ordinary-least squares (OLS) to estimate the relationship between independent directors and firm performance. The OLS estimate with fixed effect (FE) in column (2), the OLS estimate with difference in difference (DID) in column (3). In DID estimation in column (3), we add an interaction term *treated*Post_legis* to capture the difference in firm performance before and after the new legislation relating to increase the number of independent directors in the board. The t-statistic of each coefficient is shown in bracket, *, ** and *** indicate statistical significance at the 10%, 5% and 1% respectively.

	Core estimation for independent directors and firm performance (1)	**FE estimation (2)**	**DID estimation (3)**
%In	-0.094*** (-3.265)	-0.037** (-2.000)	
Treated*Post_Legis			-0.037* (-1.899)
CEODUAL	-0.17 (-0.591)	-0.013 (-0.718)	-0.016 (-0.915)
LN_Board	0.012 (0.397)	0.003 (0.152)	0.003 (0.157)
FAGE	-0.040 (-1.299)	-0.018 (-0.829)	-0.015 (-0.661)
FSIZE	0.040 (1.237)	0.004 (0.218)	0.008 (0.407)
SGRTH	0.234*** (7.762)	0.118*** (6.217)	0.114*** (6.045)
LEV	-0.330*** (-10.497)	-0.101*** (-5.004)	-0.099*** (-4.918)
INDUS	0.071** (2.362)	0.013 (0.669)	0.008 (0.453)
FTYPE	-0.003 (-0.086)	-0.012 (-0.630)	-0.010 (-0.501)
OWNSTRUC	0.016 (0.516)	-0.002 (-0.128)	-0.002 (-0.097)
Obs	1054	1054	1054
R-square	0.172	0.685	0.685

In this regression, we also include firm fixed-effects and time fixed-effects to remove any bias that may arise between the treatment group and the control group due to permanent differences among companies or differences over time. As a result, the coefficient of the variable *treated*Post_legis* is used to analyze if the change in independent directors, as a response to new regulation, leads to a change in firm performance. Using DID estimation, as illustrated in Table 2.3, column (3), the coefficient of *treated*Post_legis* is significant and negative which corroborates our previous finding in fixed-effect estimation. After new regulation, any companies that experienced an increase in independent directors on the board exhibited lower firm performance in which ROA decreased by 3.7%.

From the result in the basic OLS, FE estimation, and DID estimation, we conclude that for listed companies in Vietnam, the relationship between independent directors and firm performance is significantly negative. This finding ***rejects H1*** which suggests there should be a positive relationship between independent directors and firm performance.

This result is not suggested by prior literature in other developing countries or transition economies, but it reflects current practice in Vietnam. Independent directors face two challenges when participating on the board of a company: (1) the information-asymmetry disadvantage between insiders and outsiders; and (2) an expertise disadvantage in that inside directors are more likely to have more specific understanding and more knowledge about current company business whereas outside directors are more likely to have general knowledge about the company (Hooghiemstra and Manen, 2004; Liu et al. 2015). In Vietnam, independent directors in listed companies are experiencing both of these disadvantages.

With regard to expertise disadvantage, as per information published in annual reports, about 60% of independent directors in our sample firms are working in financial sectors. This leads to the fact that independent directors might have strengths in financial-related monitoring, but they may not indeed understand the nature of the business. Thus, their contribution to firm performance may be limited (Roberts et al., 2005).

The information asymmetry between insiders and outsiders can be reduced by increasing the level of information disclosure in listed firms (Aguilera et al., 2008). However, in Vietnam, information disclosure is at a very low level (Binh, 2012). This low level of information disclosure is also associated with increasing information acquisition costs for independent directors, as they need to be involved more in a firm's activities to obtain information for their own decision-making on the board (Aguilera et al., 2008).

The third possible reason for the negative relationship between independent directors and firm performance is the dominance of ownership concentration in Vietnam. Theoretically, ownership concentration can adversely affect the effectiveness of independent directors due to the significant power of controlling shareholders (Dahya et al., 2008). Through descriptive data from our sample, it can be seen that more than 75% of companies have concentrated ownership. Further analysis in section 6.2 will explore if ownership concentration plays any role in worsening the relationship between independent directors and firm performance.

6.2 Do types of controlling shareholders affect the relationship between independent directors and firm performance?

6.2.1 Effect of ownership structure on the relationship between independent directors and firm performance

We further analyze the relationship between independent directors and firm performance to examine if ownership concentration impacts on the relationship between board composition and firm performance. We add an interaction term *%In*OWSTRUC* into the model to test if ownership structure affects the relationship between independent directors. The coefficient of this interaction term indicates if the relationship between independent directors and firm performance differs between firms with dispersed ownership structure and firms with ownership concentration. The following OLS model examines the impact of ownership structure on independent directors and firm performance:

$$Firm\, performance_{it} = \alpha + \beta_1 \%In + \ \beta_2 * OWNSTRUC * \%In_{it} + \beta_j Control_{jit} + \varepsilon_{it}$$

As shown in Table 2.4 column (1), the coefficient of the interaction term is significant and negative which indicates that the relationship between independent directors and firm performance is undermined by the concentrated ownership. The negative relationship between independent directors and firm performance is driven mainly by firms with concentrated ownership structures. ***Therefore, this finding supports hypothesis H2a***. It indicates that the presence of ownership concentration within Vietnamese firms, to some extent, prevents independent directors from exercising their monitoring role in corporate governance.

We also noted that in Table 2.4, when the interaction term *%In*OWNSTRUC* was added in the regression, the coefficients of independent directors became insignificant. This might be due to the small number of firms with dispersed ownership in the sample (less than 25% of firms are firms with dispersed ownership structure) that leads to the insignificant coefficient of *%In*. However, the positive coefficient still indicates that firms with dispersed ownership have a positive relationship between independent directors and firm performance.

6.2.2 Effect of type of controlling shareholders on the relationship between independent directors and firm performance

Further, in our sample, we sort out all firms with concentration ownership. We define firms with ownership concentration as firms in which there are one or more shareholders who own more than 20% of total shares. Any company without controlling shareholders is excluded from the sample. As a result, only 866 firm-year observations remain in the sample.

To account for the impact of the type of controlling shareholder on the relationship between independent directors and firm performance, we add an interaction term to the model, *FTYPE*%In*. The coefficient of this interaction term indicates whether the relationship between independent directors and firm performance differs between firms with the State as controlling shareholder and firms with private controlling shareholders. The following OLS model examines the effect of type of controlling shareholders on independent directors and firm performance:

$$Firm\ performance_{it} = \alpha + \beta_1 \%In + \beta_2 * FTYPE * \%In_{it} + \beta_j Control_{jit} + \varepsilon_{it}$$

As illustrated in Table 2.4 column (2), the coefficient of the interaction term is significant and negative, which shows that the relationship between independent directors and firm performance is worse in firms with the State as a controlling shareholder***. This result supports hypothesis H2b*** which proposes that private firms exhibit better performance with independent directors compared to firms with state ownership.

Table 2.4 – Effect of ownership structure on the relationship between independent directors and firm performance

The table reports the regression results to capture the effect of ownership structure on the relationship between independent directors and firm performance. The main variables used are: dependent variable (ROA) measuring the operating performance of the company. Independent variable is measured by the proportion of independent directors in the board - %In. Control variables include (1) CEODUAL - equals to one if a firm has the CEO serves as a chair of the board and 0 otherwise, (2) Ln-BSIZE – the natural log of the board size, (3) OWNSTRUC – has the value of 1 if a firm has concentrated ownership and 0 otherwise, (4) LEV – total liabilities over total assets, (5) SGHRTH - average sale growth over 3 years, (6) FTYPE – has the value of 1 if the State is the largest shareholders and 0 otherwise, (7) FAGE – natural log of the number of years of being listed, (8) FSIZE – natural log of total asset and (9) INDUS – measured by a number represent for each industry. The OLS estimate to capture difference in ownership structure is presented in column (1) and the OLS estimate to account for different types of controlling shareholders is in column (2). In Equation (1), the interaction term - %In*OWNSTRUC is added to capture the effect of difference in ownership structure. Also, in Equation (2), we add FTYPE*%In to test the effect of difference in types of controlling shareholders on the relationship. The t-statistic of each coefficient is shown in bracket, *, ** and *** indicate statistical significance at the 10%, 5% and 1% respectively.

	Estimation for ownership structure (1)	**Estimation for types of controlling shareholders (2)**
%In	0.051 (0.679)	-0.004 (-0.179)
%In*OWNSTRUC	-0.176** (-2.087)	
FTYPE*%In		-0.097** (-2.369)
CEODUAL	-0.021 (-0.734)	-0.043 (-1.344)
LN_Board	0.015 (0.503)	0.024 (0.719)
FAGE	-0.040 (-1.310)	-0.042 (-1.261)
FSIZE	0.034 (1.062)	-0.045 (-1.235)
SGRTH	0.233*** (7.732)	0.208*** (6.276)
LEV	-0.327*** (-10.422)	-0.313** (-8.908)
INDUS	0.068** (2.235)	0.079** (2.399)
FTYPE	0.002 (0.060)	0.020 (0.478)
OWNSTRUC	0.107** (2.008)	
Obs	1054	867
R-square	0.176	0.147

Prior literature suggests that controlling shareholders can exploit the benefits of minority shareholders by diverting the resources of the company for their own benefit at the expense of minority shareholders (Dahya et al., 2008). Our finding provides supporting evidence of the negative effect of principal-principal conflict on firm performance in addition to the principal-agent conflict.

Further, taking into account different types of controlling shareholders, we also found that the State as a controlling shareholder might have undermined the relationship between independent directors and firm performance more than non-State controlling shareholders. In addition, Fan et al. (2011) also claimed that, in many emerging countries, it is common for the government to intervene in companies' affairs via State ownership. Our finding provides evidence to support the view that State ownership has a negative effect on corporate governance and firm performance.

6.3 Robustness tests

In this part, we examine if the findings in previous sections are robust with the alternative specification of independent director measurement. Researchers claimed that the impact of independent directors might take time to manifest (Liu et al., 2015; Choi et al., 2007). Thus we use a one-year lag variable of independent directors to re-run all estimates against ROA. The results shown in Table 2.5 confirm the main findings reported in the previous sections.

In addition, we also use return on equity (ROE) as a replacement of ROA for a robustness test of the relationship between independent directors and firm performance. The results shown in Table 2.6 are consistent with the main findings in this paper, thus confirming the negative relationship between independent directors and firm performance as well as the negative influence of ownership concentration and types of controlling shareholders.

Table 2.5 – Robustness test 1 – Use of lagged independent director variable

The table reports the regression results to check the robustness of the findings in previous section. All results are estimated by running regression of one year lag variable of proportion of independent directors against the current year ROA. As a consequence, there are 4 year time period for ROA variable from 2011 to 2014 against %In variable from 2010 to 2013. Control variables include (1) CEODUAL - equals to one if a firm has the CEO serves as a chair of the board and 0 otherwise, (2) Ln-BSIZE – the natural log of the board size, (3) OWNSTRUC – has the value of 1 if a firm has concentrated ownership and 0 otherwise, (4) LEV – total liabilities over total assets, (5) SGHRTH - average sale growth over 3 years, (6) FTYPE – has the value of 1 if the State is the largest shareholders, 0 otherwise, (7) FAGE – natural log of the number of years of being listed, (8) FSIZE – natural log of total asset and (9) INDUS – measured by a number represent for each industry. The estimate in column (1) captures the basic relationship between one year lag %In and firm performance. Column (2) and (3) are the results for FE estimates and DID estimates to control for endogeneity in the relationship between independent directors and firm performance. The effect of ownership structure on the relationship between one year lag %In and ROA is captured in column (4) and column (5) presents the result for the effect of different types of controlling shareholder on the relationship between independent directors and firm performance.

	Basic OLS (1)	**FE (2)**	**DID (3)**	**Ownership structure (4)**	**Type of controlling shareholder (5)**
%In	-0.091*** (-2.780)	-0.033* (-1.772)		0.045 (0.523)	-0.039 (-0.742)
Treated*Post_legis			-0.040* (-1.869)		
%In*OWNSTRUC				-0.164* (-1.707)	
FTYPE*%In					-0.119* (-1.794)
CEODUAL	-0.050 (-1.528)	-0.019 (-1.015)	-0.024 (-1.184)	-0.054* (-1.645)	-0.072** (-2.023)
LN_Board	0.033 (0.975)	0.014 (0.722)	0.003 (0.138)	0.036 (1.046)	0.040 (1.102)
FAGE	0.075** (2.199)	-0.001 (-0.062)	-0.007 (-0.290)	0.073** (2.130)	0.069* (1.884)
FSIZE	0.014 (0.376)	-0.001 (-0.069)	0.012 (0.512)	0.010 (0.259)	0.048 (1.219)
SGRTH	0.256*** (7.596)	0.103*** (5.325)	0.102*** (4.782)	0.254*** (7.541)	0.237*** (6.467)
LEV	-0.277*** (-7.716)	-0.078*** (-3.786)	-0.068*** (-2.994)	-0.275*** (-7.661)	-0.291*** (-7.408)
INDUS	0.058* (1.746)	0.009 (0.464)	0.006 (0.285)	0.059* (1.761)	0.078* (1.895)
FTYPE	-0.004 (-0.101)	-0.007 (-0.352)	0.000 (0.005)	-0.005 (-0.153)	-0.027 (-0.492)
OWNSTRUC	0.025 (0.726)	-0.019 (-1.007)	-0.006 (-0.987)	0.106 (1.511)	
Obs	833	833	833	833	695
R-square	0.155	0.740	0.728	0.158	0.170

Table 2.6 – Robustness test 2 – use of ROE

The table reports the regression results to check the robustness of the findings in previous section. All results are estimated by running regression of proportion of independent directors variable against ROE. Control variables include (1) CEODUAL - equals to one if a firm has the CEO serves as a chair of the board and 0 otherwise, (2) Ln-BSIZE – the natural log of the board size, (3) OWNSTRUC – has the value of 1 if a firm has concentrated ownership and 0 otherwise, (4) LEV – total liabilities over total assets, (5) SGHRTH - average sale growth over 3 years, (6) FTYPE – has the value of 1 if the State is the largest shareholders, 0 otherwise, (7) FAGE – natural log of the number of years of being listed, (8) FSIZE – natural log of total asset and (9) INDUS – measured by a number represent for each industry. The estimate in column (1) captures the basic relationship between %In and firm performance. Column (2) and (3) are the results for FE estimates and DID estimates to control for endogeneity in the relationship between independent directors and firm performance. The effect of ownership structure on the relationship between %In and ROE is captured in column (4) and column (5) presents the result for the effect of different types of controlling shareholder on the relationship between independent directors and firm performance.

	Basic OLS (1)	**FE**	**DID (3)**	**Ownership structure (4)**	**Type of controlling shareholder (5)**
%In	-0.066*** (-2.180)	-0.032* (-1.647)		0.085 (1.071)	-0.006 (-0.119)
Treated*Post_legis			-0.034* (-1.680)		
%In*OWNSTRUC				-0.182** (-2.054)	
FTYPE*%In					-0.122** (-1.984)
CEODUAL	0.040 (0.130)	-0.007 (-0.356)	-0.010 (-0.510)	0.001 (0.020)	0.001 (0.031)
LN_Board	0.002 (0.632)	0.014 (0.669)	0.014 (0.667)	0.023 (0.733)	0.005 (0.145)
FAGE	-0.030 (-0.930)	-0.015 (-0.674)	-0.009 (-0.389)	-0.030 (-0.947)	-0.031 (-0.905)
FSIZE	0.104*** (3.075)	0.000 (0.001)	0.004 (0.164)	0.099** (2.292)	0.157*** (4.399)
SGRTH	0.250*** (7.981)	0.121*** (5.907)	0.118*** (5.774)	0.249*** (7.953)	0.210*** (6.230)
LEV	-0.243*** (-7.404)	-0.073*** (-3.370)	-0.072*** (-3.330)	-0.241*** (-7.349)	-0.286*** (-8.150)
INDUS	0.046 (1.459)	0.006 (0.277)	0.002 (0.097)	0.042 (1.340)	0.005 (0.144)
FTYPE	0.032 (0.995)	-0.011 (-0.534)	-0.009 (-0.447)	0.032 (0.978)	0.146* (1.789)
OWNSTRUC	-0.004 (-0.121)	0.008 (0.394)	0.008 (0.410)	0.090 (1.619)	
Obs	1010	1010	1010	1010	834
R-square	0.126	0.640	0.640	0.130	0.170

7. Conclusion and limitations

In this paper, we use a panel data set covering approximately 1054 firm-year observations to investigate the effect of independent directors on firm performance in Vietnam's listed companies. Using two econometric techniques – the FE estimation and the DID estimation – specifically designed to address endogeneity in the relationship between board and firm performance, we find that, in Vietnam, the percentage of independent directors on the board is significantly and negatively related to firm performance measured by ROA. We argue that this negative association might be due to disadvantages in information asymmetry and expertise of independent directors that prevent them from adequately fulfilling their monitoring roles as well as from contributing to the improvement of firm performance. In response to the new Corporate Governance Code released in 2012, the change in board structure concerning independent directors does not have a positive effect on listed companies.

A significant feature of Vietnamese listed companies is the prevalence of firms with concentrated ownership structures. In this context, we find that the type of controlling shareholder influences the relationship between independent directors and firm performance. The presence of the State as a controlling shareholder undermines this relationship more than the private controlling shareholder. An important implication of this finding is that the government should make a long-term plan to (1) encourage firms to diversify their ownership to various shareholders rather than concentrating ownership in the hands of one or few shareholders and (2) reduce gradually State ownership in firms and reduce its intervention in companies' affairs. To attain the first target, it is necessary to increase legal investor protection and to have policies to welcome foreign investment by relaxing the restrictions[12] on foreign ownership in listed companies. The privatization process, controlled by the Government to gradually release its control over the enterprises and the economy, will achieve the second target.

Another distinctive feature in Vietnam is the lack of external corporate governance mechanisms such as a market for corporate control along with weak legal protection for investors. Under these circumstances, independent directors become an important monitoring mechanism that helps to alleviate agency conflicts. However, our finding indicates that, in Vietnam, this internal control mechanism is not effective or, at least, it does not make an effective contribution to improving firm performance. This requires the government to

[12] For example: Foreign investors need to apply for a registration number to start their investments in Vietnam. There are also restrictions on the maximum level of share ownership that foreign investors can hold in listed companies.

consider further reform in ownership structure and in other control mechanisms to enhance corporate governance as well as firm performance.

This study has two limitations. The first relates to the recognition of independent directors. Due to the limited information provided in the annual reports and other published data of listed firms, we cannot take into account the difference between independent directors nominated by controlling shareholders and by minority shareholders. This information is important in assessing if independent directors are under the control of controlling shareholders or whether they represent the interests of minority shareholders on the board. If independent directors are nominated by controlling shareholders, it is more likely that there is collusion between independent directors and controlling shareholders. On the other hand, if minority shareholders nominate independent directors, it is more likely that those directors will protect the interest of minority shareholders, thus contributing to the mitigation of both principal-principal conflict and principal-agent conflict. The second limitation is that the study only includes a two-year period after the new legislation was released in 2012. It is common place that new legislation takes time to be effective in practice so we can expect that it may take a few more years for the introduction of independent directors in Vietnam to improve firm performance. Therefore, we suggest that future research can extend this study beyond 2014 data to provide more evidence of the impact of the new Corporate Governance Code released in 2012.

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Chapter 3: Roles of and challenges for independent directors in transition economies – Evidence from Vietnam

Abstract

The purpose of this study is to examine the perceptions of independent directors in Vietnam about their roles and challenges when sitting on the boards of listed companies. A survey was forwarded to 810 independent directors of 354 listed companies in Vietnam. We examined several aspects of independent directors' work on the board (such as the roles of and challenges for independent directors) as well as board environment (such as information provision or board interaction). We contribute to the literature through providing an insightful view about the nature of the work performed by this type of director in a transition economy. Findings suggest that independent directors in Vietnam place more emphasis on their advisory role than their monitoring role. In addition, they also pointed out their challenges including information asymmetries and the influence of controlling shareholders. These findings reflect the unique features of corporate governance in transition economies.

1. Introduction

Globally, independent directors have been central to regulatory reform after several corporate scandals. In the early 1990s, reform in the UK, based on the Cadbury Report released in 1992, has focused on the importance of the independent director. The report recommended an enhanced function for independent directors as well as an increase in the number of independent directors on boards (Brooks et al., 2009). Another example of reform relating to independent directors is the recent changes to the 2014 ASX Corporate Governance Principles and Recommendations in Australia, first introduced in 2004 in response to the collapse of HIH. They emphasize the need for diversity among independent directors (Le Mire and Gilligan, 2013). The reason for these changes is that corporate governance reforms are expected to provide effective risk management devices that put more pressure on management to mitigate agency conflicts and unethical managerial behaviour while still maintaining a company's capacity for innovation. For that purpose, independent directors are considered to be fundamental to good corporate governance (Brooks et al., 2009). In contrast to management, independent directors can provide more objective and diversified views on a company's activities. Thus, they are in a good position to monitor managerial activities (Choi et al., 2007).

However, the prior literature fails to establish a robust relationship between independent directors and improvement in firm performance (Hermalin and Weisbach, 2003; Denis and Mc Connell, 2003). Some authors claim that by lacking operational expertise and a basic understanding of the nature of the company's business, independent directors' contribution to the board and the firms' activities is limited since they may not know what is really going on in the company (Klein, 1998; Roberts et al., 2005). Others argue that the unclear relationship between independent directors and firm performance might be due to a limited understanding of the nature of an independent director that has been used in defining independence in corporate governance codes (Le Mire and Galligan, 2013). Another possible reason is that independent directors do not fully recognize their duties/roles on the board because guidelines in the various codes are rather general, particularly in countries where corporate governance is weak (Kakabadse and Sanders, 2010). Therefore, an investigation into the perceptions of independent directors on a range of issues including the nature of the work performed and the challenges faced by them in current corporate governance systems is needed to understand the role of independent directors on boards as well as the monitoring mechanism over management used by them to mitigate agency conflicts in corporate governance.

Further, independent directors may have to deal with information asymmetries between insiders (executive directors) and outsiders (independent directors) when participating on the board (Co, 2003; Hooghiemstra and Van Manen, 2004; Brooks et al., 2009). Independent directors commonly participate on the board as part-time officers and many independent directors hold directorships in several companies (Maassen, 1999). Due to the limitation of time spent in the role, it is difficult for any outside independent directors "to be fully informed about the affairs of a large, complex and fast-moving corporation" (Donaldson and Davis, 1994, p.157). Furthermore, it is important to recall that independent directors need to rely on the information provided by inside executives to execute their functions (Hooghiemstra and Van Manen, 2004). Thus, information asymmetry for independent directors is highly possible, and prevents independent directors from being effective in their monitoring function.

While recognising the importance of independent directors, few studies have used qualitative instruments to examine the perceptions of independent directors on their roles and challenges when participating on the board; examples are Hooghiemstra and Van Manen (2004) in the Netherlands and Brooks et al., (2009) in Australia. However, studies like these have focused mainly on developed countries (such as the Netherlands and Australia) while there is a lack of similar studies in other groups of countries such as developing countries or countries with transition economies. In transition economies, independent directors play an important role where corporate governance systems are at an early stage of development (Peng et al., 2003; Clarke, 2006). Studies in China (Kakabadse and Sanders, 2010) show that independent directors in transition economies are not as effective as they should be due to key differences in transition economies as compared with developed countries. The dominance of the State as a major controlling shareholder along with the inefficiency of the State in managing firms, the highly concentrated ownership structure as well as the lack of supporting institutions for governance mechanisms are a few key differences between these two group of countries (Peng et al., 2003, Kakaladse et al., 2010). Therefore, an extension of the literature across new transition economies will help us to understand further the situation of transition economies, in particular, to understand the nature of corporate governance and the role of and challenges for independent directors as an important internal governance mechanism (Musacchio et al., 2015).

In transition economies, a further challenge for independent directors is the influence of controlling shareholders on a company's governance system (Kakabadse and Sanders, 2010). Independent directors are found to be more effective under conditions of dispersed ownership where the dominant agency conflict is between management and owners, and there are no shareholders who can obtain control over the board (Kim et al., 2007). In that situation, the voice of an independent director is as important as the voices of other board members. Hence the independent director's opinions become significant. On the other hand, the presence of controlling shareholders in concentrated ownership structures complicates the relationship between independent directors and firm performance. According to Dahya et al., (2008), a controlling shareholder can use its voting power to appoint independent directors who can help to oversee management to reduce agency cost. In contrast, there is a possibility that a controlling shareholder can use its voting power to appoint and influence both managers and independent directors to serve its own interests. Empirical evidence shows the inverse relationship between independent directors and controlling shareholders (for example see Kim et al., 2007; Fraile and Fradejas, 2014). Yet, to the best of our knowledge, no study explores the questions of how and by what mechanism the controlling shareholder limits the participation of independent directors in corporate governance in a company.

Heeding the call for further study in transition economies (Musacchio et al., 2015), we aim to examine independent directors as a part of corporate governance in Vietnam. As a transition economy in Asia, Vietnam also has a young corporate governance system that emerged after the privatization of State-owned enterprises (SOEs) in the early 1990s, a concentrated ownership structure, weak legal investor protection levels and the dominance of State ownership (World Bank, 2012). Vietnam provides a unique setting as compared with other transition economies such as Russia or China. The dominance of the State in firm ownership structure is a unique feature of Asian transition economies such as Vietnam and China when compared to European transition economies like Russia's. After a mass privatization process, most of the SOEs in Russia became private companies under the control of managers and other private owners while in Vietnam and China, the State is still the largest controlling shareholder in most of the largest public companies. The participation of the State in companies as both the owner and a regulator may undermine the effectiveness of independent directors in protecting the interest of minority shareholders (Kakaladse et al., 2010).

However, corporate governance in Vietnam is also rather different to China, although they share similar transition processes in which the State plays a dominant role in the economy. The key difference is the level of government efficiency where China experiences a higher level of efficiency from the State in managing and controlling both the economy and enterprises (Vu, 2009). The influence of the government as a controlling shareholder on the independent directors in China may be somewhat different in Vietnam. Liu et al. (2015) examined the influence of the government on independent directors in China and found a positive impact. However, in Vietnam it is unclear what the impact of the State has been on independent directors since independent directors were introduced in 2012.

Along with the dominance of State ownership, private companies also experience high ownership concentration. As in many other transition economies, in Vietnam, legal investor protection is weak due to the lack of supporting legal institutions (World Bank Group, 2012). As a result, individual shareholders tend to concentrate ownership in their hands as a way to protect their own interests rather than relying on investor protection from legal institutions. Therefore, ownership in most of the companies is highly concentrated either in the hands of the State or in the hands of several individuals and private institutions.

The other issue that may prevent independent directors from being effective in Vietnam is that directors and managers may lack the necessary experience and skills to manage a company because previously, due to the centrally planned economy, the State held the rights to control, manage and allocate central profit planning to all companies. Thus, managers were not evaluated based on firm performance and were not motivated to improve their skills. As a consequence, managerial skills and experience of directors and managers were rather limited, and this problem continues to be present in senior managers and directors (Nha and Le, 2013). Ownership concentration and the lack of skills and experience of managers and directors may adversely affect the role of independent directors in Vietnam.

Using Vietnam – a transition economy – as a context, this study aims to survey independent directors in listed companies to answer the research question: "***How do independent directors recognize their roles and challenges in corporate governance in the presence of controlling shareholders in a transition economy***?"

Vietnam provides a unique context to answer this question since it has a high level of ownership concentration, in which the controlling shareholder can be either the State or private shareholders.[13] In 2012, after some corporate collapses (such as the bankruptcies of Vien Dong Pharmacy, the Bach Tuyet Company, and the Hanic Company), the Vietnam Ministry of Finance released a new version of the Rules for Corporate Governance in Listed Companies in Vietnam.[14] In this new code, independent directors have been clearly defined and required by a mandatory regulation for all listed companies to strengthen the monitoring power of the board. However, no specific guidance on the responsibilities and duties of independent directors is stated in the code, except the general responsibilities and duties of all board members. Therefore, it is possible that companies have brought independent

[13] In this study, we define private shareholders as individuals and institutions that are not related to the State.
[14] The first version of the Corporate Governance Code for Listed Companies in Vietnam was released in 2007.

directors onto the board but independent directors themselves may not be able to understand what they should or should not do as board members, how they are different from other board members, and what could be challenges for them when participating on the board of a specific company. Because of these uncertainties, this research will examine how independent directors in Vietnam understand their roles and challenges when undertaking a new role on the board. The findings will enable government and policy makers to identify the issues in current practice and propose necessary changes to the legislation. Further, the findings may help the government to develop suitable frameworks, guidelines, and legislation to enhance the role of independent directors as an important internal control mechanism in corporate governance.

This study uses a survey to collect data to answer the research question. Prior literature shows that the majority of studies relating to corporate governance, particularly boards of directors, use empirical methods to investigate the role of the board and the relationship between board structure and firm outcomes and functions. However, this method is identified as having various limitations when it comes to examining the role of the board of directors; limitations such as the endogeneity issue in corporate governance, heterogeneity in the governance solutions each firm opts for and the over-simplified models used which abstract away from many features of real, complex companies and their corporate governance (Adam et al., 2008). Given the significance and complexity of corporate boards as well as board members, it is necessary to use qualitative methods to examine the role of the board and board members in corporate governance.

The paper makes two contributions. The first is that it contributes to the literature on the relationship between independent directors and ownership concentration by pointing out how ownership concentration creates challenges for independent directors under conditions of weak corporate governance. Most of the previous papers focus on the quantitative measure of this relationship, but none has asked independent directors: “how does ownership concentration affect your role?” The paper’s second contribution is its exploration of the perceptions of independent directors in Vietnam from four perspectives – their role, their accessibility to information, their interaction on the board, and the challenges in their work as an independent board member under the presence of controlling shareholders. Most of the previous studies on independent directors focus on developed countries such as the US or Australia where corporate governance and its supporting institutions are well developed (Brooks et al., 2009), but little is known about independent directors in countries with weak corporate governance and a lack of supporting institutions. Moreover, differences in economic development and business environment can also result in different perceptions of independent directors as well as different challenges to independent directors (Aguilera et al., 2008).

The paper is structured as follows. Section 2 reviews the literature on the roles of and challenges faced by independent directors when sitting on a board. Section 3 describes the data and research design and is followed by the results and discussion presented in Section 4. Section 5 summarizes the conclusion and describes some implications of the study.

2. Literature review

The following section reviews the literature on independent directors in corporate governance from two perspectives – legal and practical. It then examines the roles of independent directors discussed in theoretical and empirical studies as well as the challenges faced by independent directors that are examined by corporate governance research.

2.1 Independent directors and corporate governance

Corporate governance has been defined as a system of checks and balances to mitigate abuse by executives and reduce conflicts of interest between owners and managers as well as conflicts among owners (Lacrker et al., 2011). The board of directors is a central element of any governance system in most organizations and provides a key monitoring function to deal with agency conflicts in the company (Lefort and Urzua, 2008). Under agency theory, the main function of the board of directors is to monitor the actions of the agent (management) on behalf of the principal (shareholders) to mitigate agency conflicts (Eisenhardt, 1989). The typical monitoring activities of the board include monitoring and evaluation of the CEO, remuneration for executives and directors, and monitoring the implementation of strategy and planning (Black and Bhagat, 2008). By undertaking these duties, the board can contribute to reducing agency costs and improving firm performance.

On the board of directors, there are three types of directors that are commonly dealt with in the literature: inside directors (who are currently working in the company), grey directors (who are non-executive directors but have relationships with the company, management or blockholders) and independent directors (who are non-executive directors and have no such affiliations) (Black and Bhagat, 2008). The general duty of all board members is to monitor management and the company's strategies. Among board members, independent directors appear to play a prevalent role in improving the monitoring power of the board over management and to protect the shareholders' interests because of their independence from insiders, management, and the firm's business activities. As a result, companies with more independent directors are more likely to be in a better position to protect shareholders' interests (Bhagat and Black, 1999). In addition, Roberts et al. (2004) argue that independent directors can provide support for executives with their expertise, skills, and experience, apart from their monitoring function. As an outsider, an independent director can challenge the executives, ask questions, engage in discussion and debate on the company's activities so that they contribute to enhancing management performance and, by that means, improving firm performance.

However, the roles and duties of independent directors in the literature are still somewhat unclear. Do independent directors have the same duties and tasks as other board members or do they have some extra duties on the board? Are they effective in their monitoring activities? In this part, we review the prior literature to understand the role of independent directors from legal and practical perspectives.

2.1.1 The role of independent directors from a legal perspective

The notion of independent directors and their responsibilities, for long time included in the legislation of many developed countries such as the US and the UK, has spread out to corporate governance codes in various countries over the world including transition economies. However, academic literature in law focuses on the US and the UK as these two countries are considered to be the first ones to introduce the notion of "independent directors" into corporate governance and to set up legal standards for this type of director.

In the US, the appearance of independent directors can be traced back to the 1970s after a giant corporate collapse – that of the Penn Central Transportation Company. The requirement to have independent directors on the board began in the 1970s and the qualification of a director being independent, based on the relationship of the directors to the host company, has been tightened since then (Gordon, 2007). In 2004, as a response to a call for reform after the collapse of Enron, the Securities Exchange Commission (SEC) and the New York Securities Exchange (NYSE) imposed conditions for independent directors as "*having no material relationship with the listed company <including as a partner, shareholder or officer of an organization that has a relationship with the company>"* (NYSE, Inc., Listed company Manual 303A.02 (2004)). Apart from legislation, the role of independent directors in the US has been developed by means of three interrelated forces: court decisions, enforcement by the SEC and the self-perceptions of independent directors (Greenough and Clapman, 1980). According to Gordon (2007), three waves of legislative changes have favoured "independent directors" – the 1970s as the establishment period of the type of directors needed to fulfill the monitoring role on the board; the 1990s as the period when independent directors were a part of post-hostile bids to settle disputes among corporate actors (institutional investors, managers, and boards); and post-2002 as the period when legislative reform has pursued the purpose of strengthening the control monitoring as well as the performance monitoring role of the independent director. Currently, the role of independent directors in US legislation can be summarized as follows:

- Development of intra-board structures, such as task-specific committees and designation of a “lead director”, and
- Reducing CEO influence in director selection and retention by (for example) the creation of a nominating committee staffed solely by independent directors.

(Gordon, 2007, pg.1477)

In the UK, debates about independent directors mostly stem from the Cadbury Report released in 1992. This report was completed by Sir Adrian Cadbury to investigate corporate governance practices in the UK, to suggest improvements to current practice and to restore investors’ confidence. The report emphasized the importance of independent directors and clearly pointed out the requirements for appointment, as well as the required role of independent directors on the board. The Cadbury Report 1992, Code 2.2, recommended that the independent directors “*should be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgment, apart from their fees and shareholders*”. The report also noted the importance of independent directors as follows:

> “Non-executive directors have two particularly important contributions to make to the governance process as a consequence of their independence from executive responsibility … The first is in reviewing the performance of the board and the executives … The second is in taking the lead when potential conflicts of interests arise … Independent non-executive directors, whose interests are less directly affected, are well placed to help resolve such situations …”
>
> (The Cadbury Report, 1992, sections 4.4 to 4.6)

Other countries such as Spain, Sweden, and France also relied on the US-UK legal concept of independent directors to build up their own legislation (Fraile et al., 2014, Johanson and Ostergren, 2010, Piot and Janin, 2005). In these countries, from a legal perspective, independent directors need to have a relationship independent of both management and significant shareholders of the company in which they are participating as board members.

Transition economies such as China and Russia also include independent directors in governance codes. The China Securities Regulatory Commission (CSRC) released the

“Guidance Opinion on the Establishment of an Independent Director System in Listed Companies” (Independent Director Opinion) in August 2001 (Clarke, 2006). This Opinion covers Chinese companies listed in China but does not cover Chinese companies listed overseas. The Independent Director Opinion sets out the basic requirements for being independent directors as well as the power of independent directors. In particular, the legislation set out qualifications allowed (positive approach) and not allowed (negative approach) for being an independent director. For example, to be an independent director, a director must (1) possess the independence required by the Opinion itself, (2) possess basic knowledge relevant to the operations of the listed company, and be familiar with relevant laws and administrative rules and regulations, (3) possess at least five years’ work experience in law, economics, or other fields necessary for the proper exercise of his functions as an independent director and (4) possess other qualifications stipulated in the company’s articles of association (Clarke, 2006, pp.191-192). Similarly, the Opinion set some restrictions for an independent director that mostly relate to the condition of being independent of management and significant shareholders.

With regard to the role of the independent director on the board, Independent Director Opinion provides some additional powers to independent directors such as (1) To pass on third party-related transactions, (2) to recommend engagement or dismissal of the company’s accounting firms, (3) to recommend the holding of an interim shareholders’ meeting, (4) to recommend the holding of board meetings, (5) to hire outsider auditors and consultants and (6) to solicit proxies prior to a shareholders’ meeting. Generally, from a legal perspective, independent directors in China are comparable to those in the US and the UK although the regulations appear to contain more detail. Moreover, Clarke (2006) claims that some of the powers above are quite ambiguous since, in some situations, independent directors cannot directly exercise their power. For example, independent directors themselves do not have the power to call for a board meeting or a shareholders’ meeting. Therefore, the effectiveness of independent directors is somewhat unclear (Kakaladse et al., 2010).

In Vietnam, the Government released the new Corporate Governance Code for Listed Companies in 2012 in which the notion of “independent directors” was first introduced. This code was the response to several corporate collapses (for example, the bankruptcies of Vien Dong Pharmacy, the Bach Tuyet Company, and the Hanic Company) to increase the monitoring mechanism over management and the controlling shareholders. According to the code, the conditions for being independent directors include:

- Non-executive directors of the companies on whose boards they sit and have no relationship with the CEO and other Management team members.
- Not on the board of directors or board of management of the companies' subsidiaries, of affiliated companies, of the companies controlling target firms.
- Not blockholders or representatives of blockholders or have a relationship with blockholders.
- Not work for the company's legal consultation firms or audit firms in the last two years.

(Corporate Governance Code for Listed Companies 2012, Section 1.1.3)

However, this code only provides a definition of and qualifications for being an independent director. There is a lack of terms to state the responsibilities and duties of independent directors. Thus, it is possible that independent directors participate on the board with similar responsibilities and duties as other board members. The lack of detailed guidelines on the role of independent directors does not provide an appropriate legal support for this type of director when serving on a board in Vietnam.

2.1.2 The role of independent directors from a practical perspective:

Management literature on the role of independent directors in corporate governance has been developed under two streams, qualitative studies and quantitative studies. The former stream uses qualitative methods like surveys or interviews to explore the question: "What do independent directors do"? In contrast, the latter stream focuses on examining how differences in board structure affect the company's outcomes and performance. However, it is worth noting that qualitative studies on the role of independent directors are rather limited while the more extensive quantitative studies use archival and secondary data (Adam et al., 2008).

Independent directors' roles have been described as being comparable across different studies in different countries. For example, Hooghiemstra and Van Manen (2004) conducted a survey in the Netherlands targeting 220 non-executive independent directors on Dutch company boards. Their survey found that the majority of independent directors were clear on the role of managing directors and non-executive directors. Eighty-three percent of directors agreed that "decision management" is the task of management whereas "decision control" is the duty of non-executive directors. Moreover, 97% of participants stressed that they evaluate management based on the quality of plans implemented. On the other hand, many independent directors (94%) considered that ratification is another important duty of non-executive directors. The findings showed a great deal of involvement of independent directors on boards in the Netherlands, rather than just being a rubber-stamping function of the board.

In Australia, Brooks et al. (2009) found similar results to Hooghiemstra and Van Manen (2004). Independent directors in Australia considered that overseeing management's stewardship of the company and providing support for strategic development are their key tasks on the board. Directors also emphasized that asking questions and challenging proposals are the other important contributions of independent directors to the company. The majority of survey participants (94%) believed that independent directors contribute to strengthening corporate governance and make a difference and play a role in creating good corporate governance.

With regard to the quantitative empirical literature, the purpose of this type of research is to examine if particular functions/roles of independent directors contribute to improving corporate outcomes and performance. A large body of literature focuses on the monitoring role of independent directors over management (Borokhovich, 1996, Hermalin and Weisbach, 1999; Bhagat and Black, 2008, Faleye et al., 2011) and over firm activities (Brickley, 1994; Cotter et al., 2007; Nguyen and Nielsen, 2010, Wu et al., 2016). Hermalin and Weisbach (1998) found that when the board is independent, CEO turnover is more sensitive to firm performance. Sharing similar findings, Faleye et al. (2011) argued that if firms have a majority of independent directors serving on monitoring committees (audit committee, compensation committee, and nominating committee), those firms are more likely to have a high CEO turnover sensitivity to firm performance. However, Bhagat and Black (2008) argued that to be effective in firing/hiring CEOs, independent directors need to be able (1) to be better at assessing and identifying underperforming CEOs and (2) to know about the company's business and find appropriate CEOs for the company. The fact is that independent directors can be good at evaluating CEO performance, but if independent directors lack relevant knowledge about the firm's business, they may not be effective in contributing to the process of hiring new CEOs for the company. In hiring CEOs, Borokhovich et al. (1996) reported that firms with a majority-independent board tend to choose an outsider as a new CEO, yet the study did not suggest that an outsider CEO might be better or worse than an insider CEO.

In relation to the monitoring of independent directors over firm's activities, Cotter et al. (1997), considering the monitoring role of independent directors in tender offers in the US between 1989 and 1992, found that if the target firm's board is independent, the target shareholder gains over the tender offer period are higher than in target firms without majority-independent boards. In that situation, the board can use poison pills and takeover resistance to increase tender premiums and shareholder gains. Similarly, Brickley (1994) reported that US firms with majority-independent boards experienced a more significantly positive stock market reaction to the adoption of a poison pills defence in a takeover, as compared with firms without such boards. In another study, Nguyen and Nielsen (2010) investigated the contribution of independent directors to maximizing shareholders' wealth by examining the stock price reaction to sudden deaths of independent directors in the US. They found that, compared to insiders, independent directors provide valuable services to shareholders by better conducting some critical functions on the board.

Concerning the monitoring function of independent directors, an increasing literature has focused on corporate social responsibility (CSR) and the role of independent directors and the board of directors in satisfying the interests of all stakeholders in the company (Ayuso and Argandona, 2009). Under stakeholder theory, corporate governance is a system that forces management to internalize the welfare of not only shareholders but also stakeholders (Tirole, 2004), in other words, affirming the company purpose of "maximizing the sum of various stakeholder interests" (Tirole, 2004, p.24). In that meaning, the responsibilities of independent directors toward CSR policies and activities are considered as a contribution to the interests of stakeholders since the main objective of CSR is value creation not only for shareholders but also for other stakeholders (Freeman and Velamuri, 2006). Therefore, the monitoring by independent directors of CSR became more important as a part of their monitoring function.

Literature from both legal and practical perspectives focuses on the monitoring role of independent directors. From a legal perspective, most corporate governance codes outline general rules and guidelines to which independent directors can refer to develop their own perceptions of the duties and tasks of independent board directors. In other words, corporate governance codes provide directors with answers to the question "what should independent directors do on the board?" (Adam et al., 2008). From a practical perspective, most of the studies aim to answer the question "what do independent directors do on the board?". Some of the literature examines the role of independent directors from different monitoring activities to identify if independent directors are undertaking a particular task (such as hiring/firing CEOs or monitoring management in M&A activities) and to assess whether independent directors are effective in that task. However, the literature mostly uses empirical methods to examine the effectiveness of individual monitoring activities by means of archival data. In that respect, it lacks a comprehensive view of monitoring activities.

Recent literature on corporate governance has emphasized the other role of independent directors besides the monitoring role - that is the advisory role. The advisory role is “a more traditional job of forming strategy [that] requires close collaboration” (The Economist, February 2001; p.68). Adam and Ferreira (2007) suggested that both monitoring and advisory roles contribute mainly to improve firm performance but in an advisory role, board members need to take a more hands-off approach in which they must use their expertise and experience to counsel management on firms’ strategic decisions. In addition, according to Faleye et al. (2013), to be effective in an advisory role, directors need to build a trust relationship with the CEO to facilitate the exchange of information and ideas between them. Directors who undertake advisory roles should undertake minimal monitoring activities over management to be able to win the trust of the CEO so that they can get access to relevant strategic information (Adams, 2009).

2.2 Challenges faced by independent directors

To be qualified as independent, a director needs to satisfy all legal requirements as stated in corporate governance codes. However, to be effective in his/her work, that director needs to overcome various challenges in corporate governance as well as the business environment. Some of the most common challenges are the information asymmetries between insiders and outsiders and the prevalence of controlling shareholders on the board.

2.2.1 Information asymmetries

Information asymmetries between the executive and non-executive directors are a significant issue for independent directors. Information is essential for independent directors to communicate with insiders and to make appropriate decisions in exercising their duties. Theoretically, in a company where information accessibility is open and information disclosure is at a high level, the effectiveness of independent directors will be higher (Aguilera et al., 2008). Independent directors are considered as part-time officers in the company and they only attend board meetings. Thus, it is difficult for them to get access to company information if information asymmetries between executive directors and independent directors exist (Maassen, 1999). In that situation, it is possible that independent directors may need to rely on publicly available information because insufficient information was provided to them as board members.

Empirically, Patelli and Prencipe (2007) found a positive relationship between information disclosure and independent directors, which implies that when the board has more independent directors (i.e. more monitoring power), more information is made available to them and more information disclosure also contributes to the greater effectiveness of independent directors. The surveys by Hooghiemstra and Van Manen (2004) pointed out the concerns from independent directors about their ability to fulfill the role of independent director due to the "independence paradox" (p.314), in which independent directors have to rely on the information provided by management and executive directors while they are expected by the regulators and investors to be independent from managers. Stiles and Taylor (2001) also found that because of limited access to information and limited time to devote to being a board member, the board basically acts in a "gatekeeper role" (p.43). Similarly, in Brooks et al.'s (2015) study, independent directors propose that they need more information to support their responsibilities and duties on the board. In particular, they require more "future-oriented" information and fewer historical financial reports which, by definition, focus on details about past events. It can be seen that information accessibility is crucial for independent directors to execute their roles in a board, yet the existence of information asymmetries can cause challenges to these directors.

2.2.2 Ownership concentration

In companies with controlling shareholders, the prevalent agency conflict that independent directors need to deal with is not the conflict between owners and managers but the conflict between controlling shareholders and minority shareholders (Yong et al., 2008). The dominance of controlling shareholders can be a serious challenge to independent directors because the former can use their prevalent voting power to influence management as well as other board members to make decisions contrary to the independent directors (Dahya et al., 2008). The other possibility is that controlling shareholders can collude with independent directors to exploit the benefit of minority shareholders (Jiang and Peng, 2010). In that case, independent directors are not capable of taking up their roles, responsibilities, and tasks, and can become ineffective on the board.

Empirical evidence on the effect of controlling shareholders on independent directors is inconclusive. Some studies have found a negative influence of controlling shareholders on independent directors (Claessen, 2002; Dahya et al., 2008; Fan et al., 2011 Ramos et al., 2015) while other studies found a positive or no impact on controlling shareholders (Patelli and Prencipe, 2007; Liu et al., 2015). However, little is known about mechanisms that controlling shareholders use to influence independent directors. Is it the effect of the collusion between the two or is it because controlling shareholders use their power on the board to disable the independent directors? Few studies look at this issue. One, by Kakabadse and Sanders (2010), involved interviewing 21 independent directors from listed companies in China, and found that independent directors tend to depend on the person or group who appoints them and in many cases this is the controlling shareholder. By having this on their minds, independent directors become ineffective in monitoring and exercising control over management and also controlling shareholders because they fear being replaced if they challenge either managers or other board members. In addition, controlling shareholders also play a role in recruitment that may lead to the selection of independent directors becoming ineffective. However, Kakabadse and Sanders (2010) also acknowledged that their findings have limitations because of the small sample size used in their study.

A similar study in another transition economy and another context may, of course, come up with another finding about the influence of controlling shareholder on the roles that independent directors exercise. As transition economies become more diverse after the transition process (Grosman et al., 2016), corporate governance systems and their associated mechanisms including independent directors may work differently due to differences in political, legal and economic systems as well as the difference in the level of economic development. Apart from these macro-differences, State ownership and government efficiency may differ and may lead to differences in the influence of the State as a controlling shareholder on corporate governance and, in particular, on independent directors. Therefore, this study on the perceptions of independent directors about their roles and challenges under the presence of a controlling shareholder in Vietnam will extend our understanding of the development of corporate governance and how independent directors can contribute to improving governance in a country with a very young corporate governance system. In summary, the study aims to provide an answer to the research question "***How do independent directors recognize their roles and challenges in corporate governance in the presence of controlling shareholders in a transition economy***?"

3. Research design

This study uses a qualitative research method to collect information on the perceptions of independent directors about their roles and challenges on their boards. The data was obtained directly from the participants via a research survey instrument. As our objective was to gather as many opinions of independent directors as possible, we chose a mail survey as the most appropriate data collection method. The reason is that this sort of survey can obtain a good depth of information from a wide population (Brooks et al., 2009). Compared with other types of data collection such as telephone surveys or personal interviews, mail surveys are also more powerful, effective and efficient in terms of costs and administration (Scheuren, 2004). Moreover, according to Scheuren (2004), while surveys can be distributed to many targeted participants, a specific segment of the population (such as a sample of independent directors) can easily be reached via post mail. In addition, mail surveys also ensure the anonymity of participants which may increase the number of respondents as well as increase the credibility of their answers (Scheuren, 2004).

However, there are issues with using mail surveys such as procuring an accurate list of people in the population from which to draw the sample. In our study, since there is no database for collecting information about independent directors in Vietnam, we needed to manually collect personal information (names and addresses) of independent directors of listed companies in Vietnam from published annual reports. It is a mandatory requirement for listed companies to specifically identify their independent directors in their published reports. Thus, we relied on this information to build up the mailing list. The list contained 810 independent directors from 354 listed companies, indicating an average of 2.35 independent directors per company. In the population, there are 634[15] listed companies, but we excluded financial companies and companies without detailed information of independent directors, and the sample ended up with 354 listed companies.

The surveys were initially designed for a larger study, and we extracted part of the survey results for this research paper. The original survey has five parts. Part 1 collects demographic information on survey participants, part 2 to part 4 contains information for another study, while part 5 is designed purposely for this study. Part 5 consists of nine sections. At the beginning of each section, a brief instruction was provided to ensure the clarity of the tasks. The questions employed were essentially based on those used in Brookes et al.'s (2009) study and were developed further from a review of the literature. The surveys were structured with a combination of five-point Likert-scale type questions, and Yes/No response type questions to indicate participants' opinions on provided statements about their roles and challenges in participating on a board of directors.

To test the validity of the survey instrument, a draft was sent to several senior academic staff in the Department of Accounting and Corporate Governance at Macquarie University. A Vietnamese version of the survey instrument was sent to some academic staff at the Faculty of Banking and Finance in the Foreign Trade University to check the suitability of the questions to Vietnamese practice. After the pilot test, and based on the feedback from these participants, minor changes were made to the final version of the survey that was sent to independent directors.

[15] The data is for 2015.

In addition, to ensure the validity of the response, we added three extra questions as a manipulation check after each question in part 2 as suggested by Oppenheimer et al., (2009). Final versions of the survey instrument were sent to 810 independent directors[16] in April 2016 with a follow-up mail out after two months. We received 190 responses in total, and after the manipulation check, a total of 170 usable responses remained, representing a response rate of 21%. According to Holbrook et al. (2007), this response rate is reasonable and acceptable given the difficulties of obtaining responses from a mailed survey. Moreover, Visser et al. (1996) found that surveys with lower response rates (around 20%) yielded more accurate and reliable measurements than surveys with higher response rate (50% or more).

4. Results and discussion

4.1 Personal profile of respondents

The personal profile of respondents to the survey provides information about their age, their expertise and their experience as independent directors. The majority of respondents are in their 30s (48%), 22% of respondents are in their 40s while the proportions of respondents under 30 and over 50 are almost the same (15%). This shows that independent directors participating in the survey are relatively young.

With regard to their experience as independent directors, since independent directors were introduced in the Corporate Governance Code 2012, most of the respondents have less than five years' experience in that capacity. In fact, 34% of participants said that they have more than three years' experience sitting on the board of a company where 66% of respondents reported less than three. In addition, the majority of respondents do not have multi-directorships with about 92% of respondents sitting on only one board and 8% saying that they sit on more than one.

Concerning the expertise of independent directors, 41% of respondents specialize in accounting whereas 16% of them have law expertise. Moreover, 24% of respondents work in the non-manufacturing area, and 20% work in manufacturing industries. The majority of respondents have a bachelor's degree (69%) while 27% hold a master's degree and 4% even hold a Ph.D.

The youth of the participants in the survey reflects the fact that independent directors are a new and recent addition to corporate governance mechanisms in Vietnam and most of the independent directors lack experience in undertaking this new role.

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[16] We employed an agent in Vietnam to administer the surveys on behalf of the research team. We believe that using an agent may help to increase the response rate as they have experience in survey administration as well as a better understanding of Vietnamese market conditions.

4.2 Roles of independent directors

As suggested by the literature, independent directors have two major functions on the board – the monitoring function and the advisory function. Each function requires independent directors to take different responsibilities and to make different contributions. To understand the role of independent directors on the boards of Vietnamese listed companies, we asked questions to explore the responsibilities, contributions, and interaction among board members.

4.2.1 Key responsibilities of independent directors

In part 5 of the survey, we asked questions to understand the perceptions of independent directors of their responsibilities. Key responsibilities of independent directors have been outlined in studies by Hooghiemstra and Van Manen (2004) and Brooks et al. (2009) and fall into two different groups: the monitoring responsibilities and advisory responsibilities. Table 3.1 reports the results of the recognition of independent directors' responsibilities. It is noted that Vietnam corporate governance codes contain no guidelines about the responsibilities of independent directors so the responses in the survey may be the result of self-recognition of directors from their own practice.

From responses to part 5, section 1, as shown in Table 3.1, it appears that independent directors place emphasis on advisory roles with the highest level of agreement being (1) Contribute to the development of corporate strategy (4.471), (2) Identify issues that require more management attention for future improvement (4.335) and (3) Ensure strategic corporate decisions are reached through sound processes (4.329). In the literature, the "strategic advisor" role of independent directors has been suggested by Hooghiemstra and Van Manen (2004) and Van den Berghe and Levrau (2004). In this study, the results provide further evidence about the significance of this role of independent directors in a transition economy. However, the prior literature also noted that to be able to take up the role as "strategic advisor", independent directors need "the freedom and confidence to think independently and widely beyond the functional limits of managerial disciplines" (Garratt, 2005, p.31) along with the ability to obtain access to reliable information and to build up a trust relationship with executive members of management (Faleye et al., 2013). Thus, independent directors should be aware of these challenges when undertaking an advising role on a board. It is also surprising that in Vietnam the monitoring function of independent directors has been rated lower than the advisory

Table 3.1 – Key responsibilities of independent directors

	Classification	Mean	Median	Standard deviation
Contribute to the development of company strategy	Advisory	4.471	5	0.808
Identify issues that require more of management's attention	Advisory	4.335	5	0.863
Ensure strategic corporate decisions are reached through sound processes	Advisory	4.329	4	0.820
Scrutinize management performance	Monitor	4.324	4	0.854
Comment on the attainment of the performance objectives for the company	Advisory	4.288	4	0.803
Play an active part in determining performance objectives/measures of the board	Advisory	4.276	4	0.814
Contribute to the development of internal performance measures	Monitor	4.253	4	0.850
Play an active part in determining performance objectives/measures for the company	Advisory	4.235	4	0.740
Satisfy themselves that financial information is accurate	Monitor	4.153	4	1.044
Be accessible to company managers to advise of untoward matters	Advisory	4.100	4	0.854
Provide an independent "check" on corporate control	Monitor	4.065	4	0.974
Ensure robust risk management is in place	Monitor	4.059	4	1.118
Play an active part in determining social responsibility performance objectives/ measures of the company	Monitor (Stakeholders)	4.024	4	0.863
Play a key role in the setting of senior executive compensation	Monitor	3.647	4	1.051
Play an active part in ensuring the company meets its social responsibility objectives/ measures	Monitor (Stakeholders)	3.353	3	1.023
Be a spokesperson to support specific corporate policies before the public and government	Monitor (Stakeholders)	2.782	3	1.138

(Anchor point: 1 – Strongly disagree to 5 – Strongly agree)

Responsibilities associated with the monitoring role were rated lower. In particular, several monitoring responsibilities had quite low scores, such as (1) Scrutinize management performance (4.212), (2) Provide an independent check on corporate control (4.065) and (3) Ensure robust risk management is in place (4.059). Interestingly, independent directors considered the monitoring of senior executive remuneration (3.647) far less important as compared to other responsibilities. In addition, we asked about the monitoring of independent directors over a company's CSR which is associated with the interests of other stakeholders. We found that independent directors seem to disagree that monitoring over CSR is one their key responsibilities (two responsibilities relating to CSR were ranked lowest as shown in Table 3.1). The results of the survey demonstrate that independent directors rated their monitoring responsibility toward shareholders higher than towards other stakeholders although they seem to be less agreed about the importance of monitoring responsibilities.

This preference of independent directors for an advisory role is not consistent with the prior literature on independent directors which considers that the primary responsibility of directors is to monitor management (Bhagat and Bolton, 2008; Faleye et al., 2011). However, it may reflect the unique circumstances of many transition economies (Cheung et al., 2008; Kakabadse and Sanders, 2010). The reason may be that in transition economies where there are numerous obstacles for independent directors to execute their monitoring roles (such as concentrated ownership structure, the dominance of the State, weak legal investor protections, etc.), the monitoring function of independent directors is undermined (Cheung et al., 2008). In that situation, independent directors may prefer to undertake an advisory role to avoid possible conflicts arising between them and management and controlling shareholders.

We further analyze the data to examine if the perception of independent directors with regard to responsibilities relating to monitoring and advisory differs across independent directors with different degrees of experience on the board and different expertise. According to Guner et al. (2008) and Wang et al. (2015), independent directors with different expertise may have a different level of effectiveness in the monitoring function. In effect, independent directors with industry expertise are more likely to have the better ability to oversee management (Wang et al., 2015) whereas independent directors with accounting and financial expertise may focus more on finance and investment decisions (which is related to the advisory function) but not monitoring (for example: over executive compensation) (Guner et al., 2008). In this study, we asked independent directors with different expertise about their perceptions of different responsibilities relating to monitoring and advisory functions. The results are presented in Table 3.2. Interestingly, they show that independent directors with law expertise have the highest level of agreement about their responsibilities relating to both monitoring and advisory functions. Or in other words, it seems that independent directors from law backgrounds may undertake the role of independent directors at the highest level of responsibilities as suggested by the literature.

Table 3.2 – Key responsibilities of independent directors with different expertise

	Accounting	Law	Non-Manufacturing	Manufacturing
Contribute to the development of company strategy	4.087	4.296	4.05	3.823
Identify issues that require more of management's attention	4.159	4.296	4.189	3.970
Ensure strategic corporate decisions are reached through sound processes	4.378	4.481	4.125	4.323
Scrutinize management performance	4.463	4.556	4.075	4.174
Comment on the attainment of the performance objectives for the company	4.565	4.444	4.375	4.411
Play an active part in determining performance objectives/measures of the board	4.405	4.333	4.1	4.176
Contribute to the development of internal performance measures	4.304	4.333	4.125	4.147
Play an active part in determining performance objectives/measures for the company	3.739	3.815	3.6	3.382
Satisfy themselves that financial information is accurate	4.304	4.481	4.175	4.235
Be accessible to company managers to advise of untoward matters	4.333	4.629	4.325	4.117
Provide an independent "check" on corporate control	4.202	4	4.075	3.823
Ensure robust risk management is in place	4.275	4.518	4.3	3.941
Play an active part in determining social responsibility performance objectives/ measures of the company	4.058	4.185	4.075	3.764
Play a key role in the setting of senior executive compensation	4.058	4.222	4.1	4.088
Play an active part in ensuring the company meets its social responsibility objectives/ measures	3.289	3.518	3.3	3.411
Be a spokesperson to support specific corporate policies before the public and government	2.710	2.889	2.925	2.676

(Anchor point: 1 – Strongly disagree to 5 – Strongly agree)

We also found that independent directors with manufacturing expertise have the lowest level of agreement on the responsibilities relating to both advisory and monitoring. This finding contradicts the findings in the study by Wang et al. (2015). Meanwhile, independent directors with accounting backgrounds did rate responsibilities relating to their advisory role relatively higher than responsibilities relating to their monitoring function which is consistent with findings in Guner et al.'s (2008) study. In conclusion, the survey reveals that in Vietnam, independent directors with different expertise did show different levels of agreement on their responsibilities relating to monitoring and advisory functions on the board in which independent directors with law expertise exhibit the highest rating on all responsibilities while independent directors with manufacturing expertise demonstrate the lowest level of agreement on their responsibilities on the board.

Table 3.3 - Key responsibilities of independent directors with different experience

	IDs with more than 3-year experience	IDs with less than 3-year experience
Contribute to the development of company strategy	4.035	4.070
Identify issues that require more of management's attention	4.070	4.194
Ensure strategic corporate decisions are reached through sound processes	4.508	4.230
Scrutinize management performance	4.386	4.300
Comment on the attainment of the performance objectives for the company	4.508	4.451
Play an active part in determining performance objectives/measures of the board	4.385	4.221
Contribute to the development of internal performance measures	4.333	4.186
Play an active part in determining performance objectives/measures for the company	3.789	3.575
Satisfy themselves that financial information is accurate	4.421	4.221
Be accessible to company managers to advise of untoward matters	4.333	4.336
Provide an independent "check" on corporate control	4.122	4.035
Ensure robust risk management is in place	4.386	4.185
Play an active part in determining social responsibility performance objectives/ measures of the company	4.123	3.973
Play a key role in the setting of senior executive compensation	4.246	4.026
Play an active part in ensuring the company meets its social responsibility objectives/ measures	3.667	3.195
Be a spokesperson to support specific corporate policies before the public and government	2.912	2.716

(Anchor point: 1 – Strongly disagree to 5 – Strongly agree)

The possible explanation for this result is that in Vietnam there are no legal guidelines for independent directors. Further, s no training is provided to independent directors when they participate on the board. As a result, independent directors with law backgrounds may have the skills to achieve a basic understanding of the roles of independent directors in corporate governance legislation. On the other hand, independent directors with manufacturing or non-manufacturing backgrounds may not have access to such sources of information. Thus, they did not know what they should do on the board. This result highlights the need for either guidelines in Corporate Governance Code for independent directors about their roles and responsibilities or a training course for individuals who have been newly appointed to be independent directors.

The second factor that may affect the perceptions of independent directors about their role is their experience on the board. In our sample, 66% of independent directors have less than three years of experience sitting on a corporate board while 34% of them have more than three years. Generally, the result demonstrates that independent directors with more experience on the board have a higher level of agreement on all responsibilities relating to both monitoring and advisory functions. This means that more experienced directors establish a better understanding of what they should do on a board. This result is consistent with prior studies which suggest that independent directors with more experience exhibit better monitoring and advisory capacities (Ferris et al., 2003; Kroll et al., 2008). This may suggest that in the near future when independent directors can accumulate their experience on the board, they may become more aware of what they should do on the board.

4.2.2 Involvement of independent directors in board activities

To consider the contribution of independent directors to the company, we attempted to explore the areas over which independent directors perceive they have power (see part 5, section 2 in the survey) and the level of contribution in different activities (see part 5, section 4 in the survey).

As shown in Table 3.4, 82% of independent directors believe they have the power to influence company strategy which is consistent with the recognition that the most significant responsibility is as a strategic advisor, as discussed in the previous section. Independent directors recognize that they have the key responsibility of contributing to corporate strategy, and they believe they have power over this area.

Table 3.4 – Actions independent directors have power over

Influence company strategy	82%
Communicate with shareholders directly	50%
Change under-performing executives	43%
Control executive directors’ compensation	30%
Change professional advisors	25%

Further, Table 3.4 demonstrates that only 25% of independent directors indicated that they have the power to change professional advisors for the company and 30% believe that they can control executives' compensation. The low capacity of power to monitor executive compensation along with the unwillingness of independent directors to consider the responsibility to set up executive compensation as a key responsibility, as shown in Table 3.1, revealed that independent directors in Vietnam tend to avoid monitoring executive compensation. One possible reason is that in transition economies where there is ownership concentration with the dominance of the State, companies tend to have powerful CEOs who have strong ties to controlling shareholders (Lin, 2001). Thus, independent directors may aim to avoid creating conflicts with executives in monitoring remuneration. In our sample, respondents revealed that 57% of CEOs are representatives of controlling shareholders. When comparing the responses of participants whose company has a representative of controlling shareholders as the CEO and the responses of participants whose company has a CEO without any relationship to controlling shareholders, the results show that independent directors in the former group rated the responsibility to set executive compensation relatively lower than the latter group (3.56 against 3.71). The other possible reason is that, in firms with ownership concentration, controlling shareholders have a strong influence on setting executive pay (Kato and Long, 2003) and, hence, less powerful independent directors dare not to execute their monitoring capabilities over executive compensation.

Concerning the involvement of independent directors in different activities (part 5, section 4), as shown in Table 3.5, the highest-rated contribution is to protect shareholders'/investors' interests (4.111), which is theoretically the main duty of the board of directors. We also asked if independent directors contribute to protecting the interests of controlling shareholders. However, most respondents agree that protecting the interest of controlling shareholders is an activity to which they make a relatively minor contribution (3.018). Hence, it can be concluded that independent directors aim to place emphasis on protecting the interests of general/minority shareholders to mitigate the conflicts of interest between majority and minority shareholders and between management and shareholders. Further, in this study, it is implied that independent directors protect the interests of shareholders via their advisory role.

Respondents also placed in the highest category their contribution to developing company strategies (4.041) and to providing new ideas/insights (3.982). This, again, confirms the preference of independent directors for undertaking an advisory role on a board while it seems that they are less willing to take a monitoring role as their contribution to improving monitoring over management was rated among the lowest (3.553).

Table 3.5 – Level of Contribution as an independent director on particular activities

	Mean	Median	Standard deviation
To protect shareholder/ investor interest	4.111	4	0.665
To develop company strategies	4.041	4	0.708
To provide new ideas/ insights	3.982	4	0.717
To monitor the quality of published financial reports	3.888	4	0.866
To ask questions and challenge actions and decisions	3.769	4	0.854
To monitor performance of the board/ other directors	3.688	4	0.962
To monitor performance/ remuneration of managers	3.553	4	0.850
To protect the interest of controlling shareholders	3.018	3.5	0.858

(Anchor point: 1 – Strongly disagree to 5 – Strongly agree)

4.2.3 Remuneration package

We also asked about any remuneration package that independent directors received when serving on the board (part 5, section 7 in the survey). Since remuneration provides an important financial incentive to motivate independent directors to become actively involved in the board, the structure of the remuneration package partially explains the participation of all directors in the board (Yermack, 2004). It appears that in Vietnam, an annual fee is the most common type of remuneration with 81% of independent directors receiving an annual fee. Other types of remuneration such as meeting attendance fees or share options, are sometimes employed by companies, with 25% and 10% of independent directors receiving them respectively. Directly granted shares and a fee for being chair of a committee are rarely used by companies with less than 9% of independent directors receiving them as compensation. From this result, it can be seen that the remuneration package for independent directors in Vietnam is rather simple, mostly consisting of cash and sometimes including shares or share options. This may lead to an issue relating to motivating independent directors to devote their efforts to the board. According to Hermalin and Weisbach (1998), equity-based compensation schemes provide financial incentives to independent directors that increase the monitoring efforts of directors on the board. Moreover, to motivate independent directors to "think like shareholders", remuneration packages including shares and shares option are thought to be necessary (Perry, 2000, p.9). A change in the remuneration system should be considered to encourage directors to become involved further in board activities in Vietnam.

4.3 Challenges for independent directors on the board

4.3.1 The impact of controlling shareholders

In our sample, 162 companies out of 170 companies have concentrated ownership structures, of which 53.5% have the State as the controlling shareholder against 46.5% with private controlling shareholders. The dominance of firms with concentrated ownership in this study confirms one significant feature of corporate governance in transition economies: a highly concentrated ownership structure.

The influence of controlling shareholders on the board can be felt through numerous mechanisms (see part 5, section 8) such as appointing individuals who have a close relationship with them to be chairperson of the board, appointing CEOs and nominating independent directors (Yeh and Woidtke, 2005; Kakabadse and Sanders, 2010). Respondents revealed that 75% of companies have as chair a person with a close relationship with controlling shareholders (e.g. family members or representatives); 52% of companies have someone with a close relationship with controlling shareholders as CEO. This demonstrates that controlling shareholders have a tendency to influence board composition (appointing the chairperson) more than CEO appointment. Nevertheless, the high percent of companies having a representative of a controlling shareholder as CEO also indicates the high level of influence controlling shareholders exercise over a firm's daily activities. In addition, the other mechanism that a controlling shareholder may use to exert an impact on the board is to nominate and appoint their representatives as the majority of board members. In the survey, 91% of respondents indicated that a controlling shareholder controlled the board by having some representatives on the board and, in most cases, controlling shareholders controlled more than half of the board members. This leads to the possibility that independent directors are reluctant to execute their monitoring function since they know they could not call for votes against the controlling shareholders or against the management if management is backed by controlling shareholders. In addition, in a business environment under a collectivist setting such as in Vietnam, individual relationships are such an important element that people tend to avoid conflicts with their business partners (Vuong et al., 2013). This finding may explain why independent directors prefer to execute their advisory function over their monitoring function on their boards.

Concerning the impact of a controlling shareholder on independent directors (part 5, section 8), we asked if independent directors were nominated by controlling shareholders or minority shareholders.

Table 3.6 – Influence of controlling shareholders

	In total sample of firms	Firms with State ownership	Private firms
Number of firm in sample	170	59 (56.73%)	45 (43.27%)
Number of firms with chairperson as a representative of controlling shareholders	129	54	26
Number of firms with CEO as a representative of controlling shareholders	96	31	24
Number of firms totally controlled by controlling shareholders	150	54	37
Mechanism to control the firms by controlling shareholders:			
1. By appointing more representatives as board members	146		
2. By appointing the chairperson	129		
3. By appointing CEO	96		
4. By appointing independent directors	72		
Nomination of independent directors:			
1. By controlling shareholder	103 (60.6%		
2. By minority shareholders with close relationship with controlling shareholder	32 (18.8%)		
3. By minority shareholders who has no relationship with controlling shareholder	35 (20.6%)		

As shown in Table 3.6, 60.6% of independent directors reveal that they were nominated by controlling shareholders to participate in the board, and 18.8% of respondents were nominated by minority shareholders with a close relationship with controlling shareholders. However, 20.6% of independent directors were nominated by minority shareholders without any relationship with a controlling shareholder. In summary, about 79% of independent directors participate on the board under the influence of controlling shareholders. As Kakabadse and Sanders (2010) suggested, once an independent director is nominated and voted for by the controlling shareholder, it is less likely that he/she will vote against the controlling shareholder because that independent director needs the former's voting power to stay on the board.

Taking into account that controlling shareholders can influence independent directors by either nominating them to the board or by controlling the majority of board members, the survey then asked if independent directors had ever voted against a majority board decision or if they had they ever voted against their own opinion. About 40% of the respondents revealed that they had never voted against majority board decisions or against controlling shareholders. In addition, about 26% of them said that they have voted against their own opinions. (They should have said "No" to a proposal or decision, but in fact, they said "Yes".) Although the answer may be affected by a self-reporting bias, it is still worthwhile to show that controlling shareholders can, indeed, control voting on the board. The significant control of controlling shareholders over the board may lead to the ineffectiveness of independent directors in monitoring activities (Kakabadse and Sanders, 2010).

4.3.2 Information asymmetries

Information is essential for independent directors to undertake their roles regardless of whether they are monitoring or advising. Independent directors are outsiders, and they have limited access to information. Only when the CEO or insiders are willing to share information with them can they undertake their roles effectively (Stiles and Taylor, 2001). Hooghiemstra and Van Manen (2004) proposed the "independence paradox" in which independent directors need to monitor management independently, but have to rely on the information provided by the management. In this survey, we also found a similar challenge for independent directors when they participate on the board (part 5, section 9).

When asked about the barriers that independent directors face when sitting on the board, the two issues rated the highest were (1) Lack of information for informed decision-making (4.241) and (2) Executive Directors holding back information (4.159). This highlights the problem associated with information accessibility of independent directors to serve the decision-making process. Su et al. (2008) suggested that if there is collusion between controlling shareholders and management, the flow of information to independent directors might be restricted to prevent them from effectively assessing management behaviour. In addition, Nowak and McCabe (2003) also found that even without the existence of a controlling shareholder, the CEO and executive directors have controlling powers over information, thus creating information asymmetries with outsider directors.

Concerning the amount of information received (part 5, section 5), as revealed in Table 3.7, none of the respondents thought that too much information was provided to them while 83% of them said that they received sufficient information and only 17% responded that they received too little. Regarding the validity of that information, surprisingly, about 23% of respondents said that they could not check the validity of the information which indicates a

Table 3.7 – Sources of information

	Mean	Median	Standard deviation
Published financial reports	4.341	4	0.698
Formal board meetings documents	4.192	4	0.734
Informal meetings with board members	3.676	4	0.785
Meeting with heads of business units	3.665	4	0.842
Visits to operational areas	3.623	4	0.897
Strategy-away days	3.565	3.5	0.954
Participation in company events	3.406	3	0.864

(Anchor point: 1 – No importance to 5 – Very high importance)

serious problem. While we assume that information is essential to independent directors to fulfill their monitoring and advisory roles, the invalidity of information may lead to inappropriate decisions being made, thus adversely affecting firm performance (Nowak and McCabe, 2003).

With regard to sources of information (part 5, section 6), independent directors also recognized published financial reports and formal board meetings as the most important source of information. Although independent directors revealed that they receive sufficient information, they also claimed that the information they received contained too much emphasis on historically detailed financial information (64% of respondents) while they are looking to receive more forecast information (65%) and strategic information (58%). This indicates that to make their own decisions they need to rely on either the information publicly provided to other shareholders and public users or the information intentionally provided by the CEO and executive directors. Having said that, the independence paradox also exists in Vietnam as executive directors are still the most important sources of information. This problem is considered a global issue and overcoming the independence paradox is still under consideration with regard to changing the regulatory environment (Brooks et al., 2009).

4.3.3 Other challenges for independent directors in Vietnam

When asked about the barriers for independent directors in Vietnam (part 5, section 9), as shown in Table 3.8, 30% of respondents strongly agreed that the lack of detailed guidelines on duties/responsibilities of independent directors in the Corporate Governance Code for Listed Companies is one of the key barriers for them when participating in a board (rated 4.159). This means there is a lack of legal support to back up the independent directors, and they undertook their roles based on their self-recognition of the concept of "independent directors" borrowed from other countries. This issue is unique in Vietnam because, in most other countries, the introduction of independent directors is commonly accompanied by detailed guidelines on responsibilities/duties. For example, the responsibilities of independent directors have been outlined in Guidance Opinion on the Establishment of an Independent Director System in Listed Companies released by the CSRC in 2001 (Refer to section 2.1.1). In the UK, the UK Corporate Governance Code of 2012 clearly state the role of independent directors in Section A.4. This raises an urgent requirement for the regulator to release guidelines on independent directors in a new version of corporate governance code in Vietnam.

Table 3.8 – Barriers to independent directors

	Mean	Median	Standard deviation
Lack of information for informed decision-making	4.241	4.5	0.621
Lack of detailed guidelines on the duties/ responsibilities of independent directors in "Corporate governance rules for listed companies"	4.159	4	0.700
Lack of knowledge/ understanding of the company	3.906	4	0.862
Executive directors holding back information	3.882	4	0.694
Lack of involvement in company (for example: only being available for board meetings)	3.876	4	0.986
Personal faults/ lack of ability	3.812	4	0.973
Insufficient remuneration to motive/recruit	3.735	4	0.982
Lack of adequate training provided by SEC to support independent directors to understand their roles in corporate governance system	3.624	4	1.007
Been in the position for too long/ lack of fresh ideas	3.618	4	0.949
Lack of commitment	3.612	4	0.885
Too many responsibilities elsewhere	3.576	4	0.953
Lack of time	3.341	3	1.067
Too many rules/ red tape due to corporate governance reforms	3.076	3	1.206

(Anchor point: 1 – Strongly disagree to 5 – Strongly agree)

The other issues highlighted in the survey (part 5, section 9) are the lack of knowledge/understanding of the company (3.906) and lack of involvement in the company (3.876). From the perspective of independent directors, this express concern that independent directors may not have sufficient time, and thus to make sufficient effort, to be fully engaged and involved in a company's activities. This is in line with Roberts et al. (2005) who suggested that a good understanding of the nature of the company would increase the contribution and accountability of independent directors in a company. Personal issues (such as personal faults or lack of ability) are also counted as barriers for independent directors on the board, and this problem was rated relatively important as compared with other issues (3.79). The next challenges that can be accounted for are a lack of support from the Securities Exchange Commission (SEC) to help independent directors to understand their roles on the board (3.642), a lack of fresh ideas to contribute to the board (3.618) and a lack of commitment by independent directors in the companies (3.609).

5. Conclusion

This study examines the perceptions of independent directors in Vietnam when participating on boards of directors of listed companies. The results of the survey revealed that independent directors in Vietnam have a preference for undertaking an advisory role compared to a monitoring role. In addition, the perceptions of independent directors on their roles are different according to their expertise and experience on their boards, in which independent directors with more experience showed a higher level of recognition of responsibilities relating to both monitoring and advisory functions. Similarly, independent directors with law expertise appear to have the highest level of agreement on monitoring and advisory responsibilities on the board. This result demonstrates a need for detailed guidelines on the roles and responsibilities of independent directors in the Corporate Governance Code and a training course for individuals prior to commencing duties as independent directors on boards of directors. The finding also suggested that as independent directors become more experienced they will become more aware of their functions on the board which is a positive sign for corporate governance reform in Vietnam.

In addition, independent directors choose to undertake an advisory role on the board, and they also thought they has the capacity to participate in developing corporate strategies. However, they are face several difficulties. According to Adams and Ferreira (2007), directors need to rely on information from CEOs to provide appropriate advice; the better the information, the better the quality of advice. Yet, in this survey, independent directors claimed that CEOs intentionally hold back information and that they need to rely mostly on published information and information from the formal board meeting. That prevents independent directors from having sufficient information to understand the nature of decisions to be made. To be more effective, independent directors look forward to receiving more future forecast and strategic information while receiving less published financial information.

Finally, the survey highlights two challenges for the independent directors on a board. The first one is information asymmetries between insiders and outsiders – the independence paradox. This is not an unexpected problem as it has been found in many countries (Nowak and McCabe, 2003; Hooghiemstra and Van Manen, 2004, Brooks et al., 2009). Our findings indicate that whether or not corporate governance systems are in developed or developing countries or transition economies, information is always an issue, and more attention from regulators is needed to create a more transparent environment for all parties to obtain access to relevant information.

The second challenge is the concentrated ownership commonly found in developing and transition economies. The literature suggests that controlling shareholders can adversely influence the effectiveness of independent directors. The survey showed several mechanisms by which controlling shareholders could adversely affect independent directors in Vietnam. First, controlling shareholders can disable the power of independent directors on the board by exerting control over the CEO, the chairperson or the majority of board members. Second, the existence of controlling shareholders and their power limit the monitoring capacity of independent directors as directors need the voting power of controlling shareholders to be board members and it is not usual for them to be entirely independent from those who appoint them.

In conclusion, the study formulates some insights into the perceptions of independent directors on their roles and the challenges faced by them and suggests several implications for both regulators and practitioners to further improve corporate governance in Vietnam. First, ownership concentration should be reduced and legal investor protection should be strengthened. In doing so, the ownership structure will be dispersed, leaving independent directors with more power on the board through receiving more voting power from minority shareholders. Second, the result also highlights the need for guidelines in the Corporate Governance Code and training for independent directors so that they can understand what they should do when sitting on a corporate board. Finally, information disclosure and transparency is an issue for independent directors that prevents them from being effective in their decision making. Regulators and the SEC in Vietnam should take specific action in relation to policies that enhance information disclosure and transparency, such as requiring more mandatory information disclosure and increasing the penalty for information fraud.

The study still has a limitation. Due to the small number of responses, the result cannot be generalized to all independent directors. This limitation is unavoidable with survey data collection. However, since the respondents in the survey come from various regions throughout Vietnam and from different industries, the result can be taken as a recommendation for Vietnam authorities, policy makers, and practitioners.

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Chapter 4: Impact of cultural difference between the north and the south of Vietnam on creating accountability of independent directors

Abstract

The purpose of this study is to examine the intra-cultural difference within a country, in this case, between the north and the south of Vietnam, and the impact of that regional cultural difference on creating accountability of independent directors. In this study, "creating accountability of independent directors" refers to the process of combining the control and collaboration functions of independent directors toward management and is measured by the level of engagement, the capacity to challenge and the level of involvement of independent directors in a company's affairs. The study combines both qualitative and quantitative research methods, in which a mail survey was sent to 810 independent directors of 354 listed companies in Vietnam, balanced between respondents from the north and the south. The results confirm the persistence of cultural difference between the two regions in Vietnam in two cultural values – individualism and collectivism and one cultural attitude – attitude to risk. In particular, independent directors in the south score higher on the individualism dimension and express a lower level of risk aversity while independent directors in the north score higher in collectivism and show a higher level of risk aversity. The survey also reveals that cultural difference between the north and the south of Vietnam is associated with differences in creating accountability of independent directors, in which independent directors in the south demonstrate higher levels of engagement, involvement, and challenge on the board. The study shows that intra-cultural difference within a country does play an important part in influencing how independent directors become involved and take challenge actions when participating on the board.

1. Introduction

Independent directors have attracted much interest from academia and practitioners due to their importance in mitigating conflicts of interest between owners and management in corporate governance. According to agency theory, when there is a separation between ownership and control in a company, conflicts of interest between shareholders and managers arise (Fama and Jensen, 1983). Several control mechanisms have been proposed to align the interests of management and shareholders, such as external control mechanisms including the market for corporate control (Manne, 1965), institutional investors (Coffee, 1991) or national legislation, and internal control mechanisms including corporate boards, independent directors, and audit committees (Aguilera, 2005). Of the internal control mechanisms, the introduction of independent directors is suggested as one of the effective tools to reduce conflicts of interest since they are able to provide more objective and diversified views on a company's activities. Thus they can provide effective monitoring over management (Choi et al., 2007).

However, the view of the importance of independent directors in monitoring activities according to agency theory differences in the previous paragraph has been challenged by some researchers such as Roberts et al. (2005), Harris and Raviv (2008), Duchin et al. (2010). These researchers suggested that independent directors need to overcome several obstacles to be effective in their monitoring activities. These include information asymmetries in decision making processes (Harris and Raviv, 2008; Duchin et al., 2010), the influence of powerful CEOs and controlling shareholders (Clarke, 1998), the ability to get involved in a company's business or the ability to create accountability of independent directors on the board (Roberts et al., 2005). Roberts et al. (2005) pointed out that "creating accountability" is essential for independent directors to be engaged and involved in the corporate board's activities and to contribute to both the effectiveness of the board and the enhancement of investors' confidence in the company.

The concept of accountability of independent directors as proposed by Roberts et al. (2005) goes beyond the narrow view of accountability commonly used in corporate governance literature. In the literature, in many cases, accountability is defined as corporate accountability to shareholders (Brennan and Solomon, 2009). Litch (2002) argued that from a corporate governance perspective, accountability "has to do with relationships between corporations and corporate officers and between various social constituencies" (Licht, 2002, p.6). Yet, Roberts et al. (2005) did not examine the accountability of independent directors but focused on the processes of creating accountability of independent directors within boards, which, in practice, can be achieved via a wide variety of behaviours. Roberts et al. (2005) defined creating accountability as the way independent directors combine elements of control and collaboration – two significant roles of independent directors on the board. In short, to create accountability, independent directors need to be "engaged but non-executive", "challenging but supportive" and "independent but involved" (Roberts et al., 2005; p. S6). The authors also suggested that accountability improves the effectiveness of the board by enhancing the interaction between independent directors and executives (management) via supporting and monitoring activities.

Following Roberts et al.'s (2005) study, Huse (2005) argued that to create accountability of independent directors in the boardroom, openness, generosity, involvement, creativity, and criticality are important to form the board's decision-making culture, while trust and emotions are important for building relationships with other directors, managers, and other corporate actors. This shows that culture is an important element that contributes to establishing the accountability of independent directors in the boardroom. Cultural dimensions such as individualism/collectivism operate to form the necessary openness, generosity, independence and involvement, while attitudes toward risk affect the trust and emotion aspects of accountability (Huse, 2005). However, to the best of our knowledge, there is still no empirical research that examines the factors contributing to creating accountability of independent directors and, in particular, the question "To what extent does culture affect the creating of accountability of independent directors?" remains unexplored.

The literature on culture often assumes that culture across a country is homogenous and comparative studies in culture are mainly in cross-country settings (Patel, 2013). However, in one study, Au (1999) claimed that intra-cultural difference is as important a factor as inter-cultural difference in explaining the cultural difference across cultural groups and across countries. Additionally, in some countries, sub-cultures have arisen due to ethnic diversification (as India), political particularism (as Switzerland) or due to historical development (as Vietnam). In those countries, intra-cultural studies are necessary for a comprehensive analysis of the cultural impact on any research objective (Liao et al., 2005).

Among those countries, Vietnam is one that has been heavily affected by its political and historical development. Vietnam has a long history of being occupied by the Chinese for a thousand years from 111 B.C. to A.D. 939 in the north (Kamoche, 2001) while the south of Vietnam was under the influence of India and the Champa.[17] From the mid-19th century to the mid-20th century, both the north and the south of Vietnam were colonised by the French. For

[17] For more details, see: http://www.localhistories.org/viethist.html

over 20 years from 1954, the country was split by a civil war between the north and the south (Ralston et al., 1999). The north was led by the Communist Party under the influence of the Chinese, and the south was led by the Republic of Vietnam under the influence of the US. As a result, the north of Vietnam became more Eastern-oriented while the south of Vietnam became more Western-oriented (Engholm, 1995). As Kim (2007) suggests in her study, any research in Vietnam should take into account the difference between northerners and southerners since it might affect the enforcement of laws, policies, and legislations.

Motivated by the importance of creating accountability of independent directors and the lack of empirical studies examining the impact of culture on creating accountability of independent directors, this study aims to investigate intra-cultural difference between the north and the south of Vietnam and determine whether it is associated with any difference in creating accountability of independent directors in these two regions. In particular, we aim to answer the question: "How does cultural difference between the North and the South of Vietnam affect the creation of accountability of independent directors on the board?"

This study uses qualitative and quantitative approaches to collect primary data on the cultural background and dimensions of creating accountability, namely, involvement, challenging, and engagement. As suggested by Deer et al. (2015), the intra-cultural difference is captured by two cultural values – individualism and collectivism – and one cultural attitude – the attitude toward risk. We measured individualism and collectivism by the survey instruments proposed by Shulruf et al. (2007), while attitude toward risk is measured by Blais and Weber's (2006) instruments. Levels of engagement, challenging and involvement have been captured in three different hypothetical scenarios which were built based on similar scenarios in studies by Roberts et al. (2005) and Judge and Zeithaml (1992). Independent directors were asked to rate five options in each scenario on five scales, from which statistical analysis is employed to link creating accountability with the cultural background of independent directors.

The study contributes to the literature in several respects. First, it provides additional evidence on the culture-rich background of Vietnam, and that cultural differences between the north and the south of Vietnam continue to operate after more than 40 years of unification. This raises a requirement for any related social and cultural studies in Vietnam to take into account any intra-cultural differences to achieve a comprehensive analysis. Second, it examines how cultural differences influence the creating of accountability of independent directors. Accountability of independent directors is an important factor that affects the effectiveness of the corporate board as well as affecting investor's confidence (Roberts, et al., 2005). Due to the importance of accountability, it is critical to identify factors that may affect the creating of accountability of independent directors, yet research on this issue is still underdeveloped. Finally, using a culture-rich country, the study provides evidence that intra-cultural differences within a country can be associated with a difference in the behaviour of independent directors and must be relevant to a difference in creating accountability of independent directors. This is an important finding because it demonstrates that even within a country the effectiveness and behaviour of independent directors can be different due to intra-cultural differences. Thus policy makers and practitioners should be aware of this issue when considering a new policy relating to independent directors.

This study also provides a significant implication for policy makers and practitioners in Vietnam about intra-cultural difference and its possible effect on different aspects of corporate governance such as independent director accountability. In fact, it is relatively difficult to capture intra-country issues in legislation, but related parties can make changes in corporate governance (such as board structure, board composition) when dealing with independent directors in the north and the south of Vietnam once they become aware of the possible difference in their behaviour associated with differences in cultural background.

The paper is structured as follows. The next section is the literature review, which provides a review of culture, corporate governance and the creation of accountability of independent directors. In section 3, the paper develops hypotheses about the intra-country cultural difference in Vietnam and the influence of cultural difference on creating accountability of independent directors. Section 4 describes the data, the survey instruments, and research design. Analysis of the results and discussion are provided in section 5. The paper ends with the conclusion in section 6.

2. Literature review

2.1 Culture and corporate governance:

Culture is assumed to have a powerful impact on organizational life and the business environment as an important contextual factor (Salacuse, 2003; Litch et al., 2005; Tung, 2008; Patel, 2013). There are several definitions of culture in business literature, each of which focuses on different aspects of culture. For example, the definition by Hofstede (1980, p.25) states “culture is the collective programming of the mind which distinguishes the member of one human group from another”. A more recent definition of culture has been proposed by Roberts et al. (2002, p.36) who define culture as “a set of common ideas, beliefs, and values that are shared by members of a group of individuals”. Generally, culture refers to social norms and beliefs in a society, as they affect the behaviours of individuals in that society (Li and Harrison, 2008b). In addition, rules, regulations, and institutions are shaped by the culture of the society in which they function (Salacuse, 2003). In other words, culture is a powerful influence on human behaviours and social values as well as social valuations. Thus its impact on different aspects of business is undeniable (Kolesnik, 2013).

Scholars have taken into account concerns about the nature of culture. Issues such as its uniqueness and homogeneity within a geographic entity have long been under debate and have attracted numerous academics to further an understanding of culture (for example, Usunier, 1998; Patel, 2013). The homogeneity of culture is challenged by the fact that different countries can be culturally rich due to their historical development, ethnic diversification or political particularism (Usunier, 1998). Thus, intra-country culture studies have emerged as a new trend in the literature on culture. The debate about the different characteristics of culture demonstrates the need to expand our understanding of culture both across countries and within countries to account for the homogeneity/inhomogeneity of its nature.

Given the significant influence of culture on social values and individual behaviours, culture becomes one important factor that affects various aspects of business, such as accounting (see Kolesnik, 2013 for a review), auditing (Chow and Shields, 1999; Kanagaretnam et al., 2014), corporate governance (Litch, 2000; Li and Harrison, 2008b; Chan and Cheung, 2012; Griffin et al., 2014) and organizational behaviour (Salacuse, 2003; Sirmon and Lane, 2004; Chong, 2008). Particularly in corporate governance, apart from other significant factors like economic efficiency, the nature of legal systems or political constraints on financial institutions, culture is considered as one critical factor that contributes to shaping a governance system as well as to creating trust and openness in relationships among actors in that system (Salacuse, 2003).

Recent research on culture and its impact on corporate governance have been motivated by increasing globalization which makes cross-cultural activities more common and blurs national boundaries (Luo, 2005; Khanna et al., 2006; Doidge et al., 2007; Tung, 2008; Patel, 2013). Some standard-setting bodies and multilateral institutions have paid more attention to the possibility of convergence of corporate governance standards across countries, such as the International Corporate Governance Network (ICGN), the International Accounting Standards Board (IASB), the Organisation for Economic Co-operation and Development (OECD) and the World Bank (Khanna et al., 2006). The OECD introduced and promoted guidelines for global principles of good corporate governance in 2000 (OECD, 2000). However, various factors in the business environment may influence evolution towards an optimal corporate governance system (Hermes et al., 2006). The adoption of some common corporate governance standards might occur in a country, but there is little evidence that these standards are implemented effectively (Khanna et al., 2006). Alone among environmental factors that are claimed to be associated with differences in corporate governance, the difference in social norms and cultures can be used as an explanatory variable to detect variation in corporate governance practice across countries. This is because divergence in the socially accepted objectives of firms leads to different ideal corporate governance structures and practices (Yoshikawa and Rasheed, 2009).

The prior literature attempts to examine the impact of culture on corporate governance from two perspectives – the influence of national and within-country culture. For this reason, the literature divides into two streams focusing on the impact of culture on corporate governance – cross-country studies and intra-country studies. The former stream, which is based on the assumption of the homogeneity of culture, and focuses on exploring how the difference in culture across countries explains differences in corporate governance systems. For example, Salacuse (2003) examined the difference between American style and European style from a cultural perspective in order to consider a convergence of corporate governance in these two regions. Litch et al. (2005) focused on the impact of culture on minority shareholder protection in corporate governance. Other studies examined the culture influence on the board of directors (such as Mintz, (2005), Li and Harrison (2008a), Li and Harrison (2008b)). On the other hand, the latter stream of literature focuses on the within-country cultural differences (i.e intra-cultural difference) to understand how the unique cultural setting within a particular country contributes to forming its business environment (Usunier, 1998; Tung, 2008; Boytsun et al., 2010; Dheer et al., 2014). The literature on cross-country studies is more extensive than intra-country studies, which demonstrates that intra-cultural difference is neglected and the assumption of homogeneity of culture is prevalent in the literature.

Cross-country studies normally utilize either the cross-cultural psychology framework, which aims to systematize the value characteristics from different cultures (also known as cultural value models), or the cultural dimension framework proposed by Hofstede (1984), Schwartz (2004) or Trompenaars and Hampden-Turner (1997) to classify different countries into different groups sharing similar cultural characteristics. For example, Hofstede (1984) identified four sets of cultural dimensions including power distance, uncertainty avoidance, individualism versus collectivism and masculinity versus femininity. Based on these four dimensions, Hofstede recognized ten cultural areas such as Anglo, Western European, or Less Developed Latin America, and so on. Hofstede's model has been validated by different studies such as Holden (1999), Mintz et al. (2005), Kirkman et al. (2006), Gong et al. (2007), Tang and Koveos (2008), Li and Harrison (2008a, 2008b), and Bae et al. (2012). However, Hofstede's model is also criticized for having many weaknesses that limit the ability of the model to capture dynamic human behaviour both in international and domestic contexts (McSweeney, 2002; Patel, 2013). On the other hand, Schwartz (1999) recommended a different set of cultural dimensions including embeddedness/autonomy, hierarchy/egalitarianism, and mastery/harmony to examine cross-cultural characteristics between countries. Litch et al. (2005), Shao et al. (2010) and Li et al. (2013) are examples of studies that employ Schwartz's model for their cross-country research. Since the circular model of cultural orientations allows for treating all cultural orientations as integrated elements rather than mutually independent as in Hofstede's model, Schwartz's model offers a more dynamic understanding of human behaviour (Patel, 2013). Trompenaars and Hampden-Turner (1997) proposed yet another approach to analyzing cultures, but there might be too many exceptions to societal behavioural stereotypes (Patel, 2013). Nevertheless, all of these cultural models share the same assumption that culture within one country is stable, homogenous and that culture is different across countries and geographical regions.

However, some scholars (Usunier, 1998; Tung, 2008; Dheer et al., 2014) have challenged the assumption of homogeneity of culture within one country. Herman and Kempen (1998) argued that cross-country studies on cultural difference failed to recognize the complexity of culture within nations and to recognize the regional differences in a country. Tung (2008) used Canada as an example to show that there are three subcultural areas in this country: English-speaking, French-speaking and "other". She also emphasized that, in a country such as Canada, intra-country cultural differences can be more significant than cross-country differences. On the other hand, Usunier (1998) argued that in countries which are deeply culturally rich such as India, or are explicitly culturally rich such as Switzerland, or can become culturally rich due to colonization and decolonization, intra-cultural studies are necessary to explore the nature of culture across different regions within one specific country. In a more recent study, Dheer et al. (2014) used qualitative data to demonstrate intra-country cultural differences in the US and Canada. The authors were motivated by an inconsistency in prior literature on the cultural difference between the US and Canada. They proposed that the inconsistency in the literature is due to the distinct sub-cultural regions in these two countries. Their findings showed that there are seven distinct cultural regions in the US and Canada that carry unique characteristics that are different from each other region. This evidence demonstrates the existence of cultural difference in several so-called culturally rich countries as suggested by Usunier (1998).

The existence of intra-cultural difference within a country as well as the influence of culture on corporate governance found in cross-country studies (such as Salacuse (2003), Mintz et al. (2005); Litch et al. (2005) Bea et al (2012)) gives rise to another stream of research to capture the impact of intra-country cultural difference on different aspects of business. Aside from a cross-country stream of literature, intra-country cultural difference is a possible explanation of the variation in corporate governance within a country for some particularly culture-rich countries. In addition, under the influence of economic integration and globalization, cultural boundaries between countries have become increasingly "fuzzy" (Fukuyama, 1995). Thus, intra-country cultural differences rather than cross-country differences have emerged as a significant issue. However, the literature in this area is rather limited, and further research is in demand to explore the nature of intra-culture and its impact on business. To the best of our knowledge, this study is the first attempt to uncover the implications of cultural difference within one country on corporate governance, particularly on independent directors.

2.2 Intra-country cultural differences framework in Vietnam

Vietnam, a country in the Southeast Asian region, has a long history of development. It was first under the control of China and France in the north and the control of India and France in the south, and then it was divided into north and south due to a civil war between two regions from 1954 to 1975. Because of colonization and decolonization in the north during the Chinese and French occupation as well as the division of the country for about 20 years, there is a significant difference between the north and the south of Vietnam. Ralston et al. (1999) even raised the question of whether Vietnam is a true country or just two regions combined. Historically, before 1975, Vietnam was divided into two regions – the north of Vietnam had followed a centrally planned economy since 1945, and is traditionally more conservative and bureaucratic. In contrast, the south of Vietnam was under the control of the US and Western influence for more than two decades up until 1975 when Vietnam unified into one country (Engholm, 1995). Culturally, the north remains heavily influenced by Chinese culture, traced back to immigration from the Southwest region of China (Ralston et al., 1996). The south is influenced by US and Western culture due to the involvement of the US in the South of Vietnam up to 1975. Kim (2007) confirmed the cultural difference between the two regions in her studies examining the impact of cultural distance on the market pricing of private property rights in Vietnam by using interview data with experts working in the area of real estate.

The uniqueness of Vietnam as a country combining two significantly different cultural regions – a Western culture region and a Chinese/Asian culture region – provides a valuable setting to examine the influence of culture on corporate governance. Previous studies have used a cross-country setting to investigate the impact of culture on different aspects of corporate governance (Salacuse, 2003; Litch et al., 2005; Li and Harrison, 2005a; Bea et al., 2012). However, those studies have a common issue, namely, that the results might be distorted due to political, legal and economic differences that have not been controlled for. Using one country in this study, we overcome that issue since all those factors are identical throughout a unified Vietnam.

Previous studies in Vietnam adopted different methods to measure the cultural difference between the north and the south. Ralston et al. (1999) adopted measures for Individualism and Collectivism to assess the difference between the north and the south of Vietnam since it can capture the differences between Western and Eastern culture. Kim (2007), on the other hand, used interview data to analyze the difference between the two regions rather than employing a particular cultural dimension. The main concern with these studies is that there is a lack of an appropriate approach to analyze intra-country cultural differences between north and south. As Patel (2013) argued, Hofstede's model is best used for cross-country studies since its underlying assumption is the homogeneity of culture within a nation. Therefore, using only Individualism/Collectivism, as Ralston et al. (1999) did, may not provide a suitable cultural framework to distinguish between the north and south of Vietnam. Kim (2007) used interview data to describe the cultural difference between the two regions by pointing out several critical characteristics rather than proposing a model approach to analyze cultural difference in Vietnam.

Instead of using the cultural dimension frameworks of Hofstede or Schwartz to account for the differences in culture between different regions, Dheer et al. (2014) developed a framework to explain the deviation in culture between regions in the US and Canada at an individual level. In that framework, the authors measured cultural differences at an individual level on two dimensions – cultural values and cultural attitudes. This is because "at the individual level, it [intra-cultural difference] refers to goals that are considered important and are the cognitive representations of what is preferred or desirable in specific situations" (Dheer et al., 2014, p.363). In other words, cultural differences at an individual level reflect how culture affects the behaviour and valuation of each individual in a particular group. For the purpose of this paper, we aim to adopt the approach in Dheer et al.'s (2014) study to examine cultural differences between the north and the south of Vietnam. Cultural attitudes that have been proposed in Dheer et al.'s (2014) research are attitudes to generalized trust and attitudes to justifying ethically suspect behaviour, while value dimensions validated by Inglehart (2003) measure cultural values including individualism and collectivism. However, taking into account the difference between the north and the south of Vietnam due to the influence of China and the US, we measure cultural value by individualism/collectivism and cultural attitude by attitude to risk. This is because individualism/collectivism and attitude to risk are shown to be significantly different between Eastern and Western cultures – the two cultures that impose a heavy influence in the north and the south of Vietnam (Hsee and Weber, 1998; Hofstede, 2007).

According to Hofstede (2007), individualism/collectivism is the cultural dimension that expresses the most difference between Western culture (including European and Anglo countries) and Asian culture. “Individualism stands for a society in which everyone is expected to look after him/herself and his/her immediate family whereas collectivism stands for a society in which people are integrated into a strong, cohesive in-group that is assumed to protect them throughout their lifetime in exchange for unquestioning loyalty” (Hofstede, 2007, p.417). For collectivists, the separation of behaviour into in-groups and out-of-groups is significant and implies different behaviours of individuals in understanding the world and dealing with strangers/someone from other groups (Weaver, 2001). On the other hand, individualists are more likely to be involved in short-term exchange-based relationships and are more competitive (Mills and Clark, 1982; Weaver, 2001). With regard to management, individualists tend to have direct communication to deal with conflicts while collectivists seem to avoid conflict in the first place and attempt to deal with it within their group rather than open it to others in an out-group (Trubinsky et al., 1991).

As a cultural attitude, attitude to risk is one of the factors that is influenced by culture and for that reason can vary across different cultures (Weber and Hsee, 1998; Kreiser et al., 2010). To start the review of the influence of culture on attitude to risk, we begin by defining risk. Sitkin and Pablo (1992, p.10) define risk as “the extent to which there is uncertainty about whether potentially significant and/or disappointing outcomes of decisions will be realized”. Although there is no universal definition of risk in the literature, three common characteristics of risk are mentioned in most of the definitions: outcome uncertainty, outcome expectation, and outcome potential. Risk attitudes are formed by two poles of an attitude scale, namely, risk aversion (attitude toward avoiding risks) and risk propensity (attitude toward taking risks) (Rohrmann, 2002). According to Sitkin and Pablo (1992), two individual characteristics that can explain the risk behaviour of each individual are risk perceptions and risk preferences. The authors argued that individuals who have a stronger risk preference are more likely to undertake risky actions than those who have a weaker risk preference. In addition, risk perceptions affect decision makers’ behaviour with regard to the extent they accept/deny uncertainty, overestimate/underestimate risk and exhibit confidence in their own judgement. In this study, we use attitude toward risks, which is measured by both risk aversion and risk propensity, for cultural attitude.

When participating on a board, an independent director is assumed to take several risks that may affect his/her career. For example, Fama and Jensen (1983) argued that if an independent director performs poorly in monitoring and controlling executives, his/her reputation, and future career, will be undermined. Improving his/her reputation is considered an important incentive of a director, apart from financial incentives that he/she may receive. Therefore, attitude toward risk in this situation may play a role to encourage someone to take the role of being an independent director in a company. In addition, independent directors may bear some risk when raising their voice to contribute to board discussion (Roberts et al., 2005; Huse, 2005); hence, a positive attitude toward risk will encourage a director to participate more in boardroom activities.

2.3 Corporate governance and creating accountability of independent directors:

Corporate governance has been a major topic of interest for both academia and practitioners for several decades, especially after the wave of financial crises in 1998 in Russia, Asia and Brazil and serious corporate scandals such as Enron in the US and Parmalat in Europe (For example: see Claessens et al., 2013 for a review). The failure of corporate governance systems has been blamed for these failures (Lacker et al., 2011). So, what is corporate governance and how does it contribute to the development or failure of a company and even a country economically and financially? Along with the expansion of corporate governance across companies and countries, various definitions of corporate governance approach the concept from different perspectives. It has been defined as “the system by which companies are controlled and directed” to imply that governance mechanisms are in all types of enterprises not only in corporations (Cadbury, 1992, p.19). Corporate governance is also considered to be “the exercise of power over and responsibility for corporate entities” (Mallin, 2002, p.3) to address the concern of capital providers in respect of the risks they take in investing in a firm and their monitoring of how their capital is managed over time.

The core component of a corporate governance system is the board of directors which has a critical duty to ensure the safety as well as the profitability of capital invested in a firm. Fama and Jensen (1983) define a board of directors as “the common apex of the decision control system of organizations, large and small, in which decision agents do not bear a major share of the wealth effects of their decisions”. The board of directors has two main functions: a monitoring role in hiring, firing and compensate management and an advisory role to provide advice to the management team on critical decisions (Masulis et al., 2012). The monitoring role contributes to mitigating the agency problem between owners and managers whereas the advisory role can contribute to the efficiency of firm operations.

To discharge its duty, the board of directors tends to be structured according to several characteristics to fulfil its functions, but the critical aspect is the independence of the board. The idea of introducing independent directors onto a board is to increase the monitoring power of the board of directors over management so that a risk management device is created to reduce agency costs (Le Mire and Gilligan, 2013). Therefore, independent directors play an important role in minimizing the potential opportunism of management and larger block holders in a firm under a principal-agent framework (Crespi-Cladera et al., 2014). Depending on the ownership structure of each firm, independent directors target their monitoring of management activities (for firms with dispersed ownership) or controlling shareholders (for firms with concentrated ownership). However, the efficacy of the independence of directors on the board is unclear since there is mixed empirical evidence on the impact of independent directors on better performance (Bhagat and Black, 1999, Hermalin and Weisbach, 2003). In addition, as the independent director notion was initiated in Western countries, its adoption varies across different countries.

Independent directors attract interest from both legal and governance streams of literature in which the legal stream emphasizes how to define and regulate independent directors in the legislation while the governance stream focuses on how independent directors become more independent and contribute to the effectiveness of a board of directors in practice. In the former stream, a significant concern is the lack of a consistent and compelling understanding of independence. Hence, the idea of independent directors becomes a concept characterized by the expression "we all know what it means" (Le Mire and Gilligan, 2013, p.446). In fact, according to Aguilera and Cuervo-Cazurra (2009), the legal notion of independent director changes across countries and even across firms if firms attempt to make their own definition. An example of a definition of an independent director as stated in the NYSE Listed Company Manual Section 303A.02 is "*No director qualifies as 'independent' unless the board of directors affirmatively determines that the director has no material relationship with the listed company (directly or as a partner, shareholder or officer of an organization that has a relationship with the company)*". No matter how independent director is defined in legislation, a common point of any regulation is that independent directors should be entirely separate from management and controlling shareholders.

After corporate scandals such as Enrol, Parmalat, and WorldCom, numerous corporate governance codes globally raise concerns and propose recommendations regarding independent directors in governance structures. It is widely believed that independent directors constitute a central point and a primary concern for any reform of corporate governance intended to improve the system. However, the question of how an independent director contributes to a board being more effective in different countries appears to be unclear. In practice, the independence of a director named in an annual report might be legally independent, but an independent director must also be "independent in mind" to be effective (Roberts et al., 2005, p. S6). Since the notion of independent directors is Anglo-inspired and developed within the US-UK context, countries which are different from the US in terms of institutional context find challenges in adopting this notion (Soobaroyen and Mahadeo, 2012; Huse, 2005). Several challenges that can be named are ownership concentration (Shen and Jia, 2005) and national cultural difference (Li and Harrison, 2008a).

The evidence demonstrates that when adopting the notion of independence in corporate governance, the difference across countries in institutions and contexts leads to different board structures as well as different levels of effectiveness of non-executive directors in practice. However, differences within countries also emerge as a further difficulty in adopting a notion of corporate governance when establishing and promoting a good governance system in a particular country. As suggested by prior studies, several countries can be culturally rich by their nature or historical development (Usunier, 2003; Tung, 2008). Thus cultural distance is a critical factor that needs to be considered when a country attempts to borrow a notion from other countries and apply that notion to its situation. With regard to independent directors, cultural influence can be traced to the personal motives, attitudes, and rewards that affect director behaviours when they sit on a board and contribute to firm governance (Patel, 2013).

After the Enron scandal, when considering corporate governance reform, Ide (2002) proposed that we should emphasize the necessity of creating a culture of collaboration within the boardroom and increasing the accountability of all directors to the board and shareholders so that independent directors can contribute more to monitoring management. Aguilera (2005) raised concern about how independent directors can be motivated to go beyond what is required legally and to engage in their monitoring and strategic advice roles. She argued that in cases such as Enron, the board of directors appeared to be effective legally on paper but, due to flawed corporate culture, collapse still occurred. Supporting the view of creating accountability in the boardroom, Roberts et al. (2005) suggested that, to improve the effectiveness and independence of independent directors, creating accountability of directors in board activities is crucial. Their study goes beyond the traditional agency perspectives, which normally emphasize the structure and composition of the board, to expand board studies to take into account the interaction among directors and interaction between executives and non-executives within the boardroom. Roberts et al. (2005) also built a research stream about exploring the behaviour perspectives of the board as a whole as well as among non-executive directors (Huse, 2005). In addition, Shen and Jia (2005) claimed that as long as a director depends on managers/insiders to obtain information and he/she is not actually engaged in company business, there is little expectation that an independent director would improve the effectiveness of the board or the firm's performance. These studies share similar views on the importance of creating accountability of independent directors from a behaviour perspective. This makes it critical to understand the factors that contribute to creating accountability of directors in governance where cultural values and attitudes must play a role.

The notion of accountability can be found in different disciplines from accounting, auditing, management and corporate governance, yet accountability is understood differently across disciplines (Roberts, 2001; Roberts et al., 2005; Aguilera, 2005; Brennan and Solomon, 2008). There are two major understandings of accountability – the accountability of an organization and the accountability of individuals within an organization (such as managers, directors, auditors or accountants). In this paper, we focus on the accountability of independent directors and employ the concept of accountability by Giddens (1984) that has been used in Roberts et al. (2005). Giddens (1984, p.30) proposed that "[t]o be accountable for one's activities is to explicate the reasons for them and to supply the normative grounds whereby they may be justified". To measure the creation of accountability of independent directors, we follow the framework of Roberts et al. (2005) and Huse (2005) where creating accountability of directors is a result of a combination of control and collaboration. In particular, with regard to attitudes, behaviours, and skills, an independent director should be "engaged in firm activities but non-executive, be independent but involved and be challenging but supportive" (Roberts et al., 2005, p.12). To be accountable, independent directors may need a wide range of behaviours such as challenging, questioning, discussing, testing, informing, debating and exploring, so that they can effectively support executives but also monitor and exercise control over executives. According to Huse (2005), to create accountability of independent directors in the boardroom, openness, generosity, preparedness, involvement, creativity and criticality are important to form the board's decision-making culture, while trust and emotions are important for building a relationship with other directors, managers, and other corporate actors. Therefore, cultural values and attitudes contribute to the process of creating accountability in the boardroom.

3. Hypothesis development:

3.1 Cultural differences between the north and the south of Vietnam

Historically, the north of Vietnam was heavily influenced by China during its occupation over almost 1000 years between 111 B.C. and A.D. 939 (Kamoche, 2001). During that time, China not only provided Vietnam with technologies, knowledge, and institutions including education but also exported its culture including a code of conduct consisting of ethical, honour and moral codes, religious rules and Confucianism (Ralston et al., 2006). On the other hand, the south of Vietnam was occupied by India and the Champa before being invaded by the French from 1858. By the end of the 19th Century, the French controlled both the north and the south of the country. However, from 1949 to 1955, the south of Vietnam was detached from the north as the State of Vietnam, which was internationally recognized by the US and eighty-seven other nations, although still under the influence of the French. In 1954, the north of Vietnam became an independent nation after the defeat of the French, the Democratic Republic of Vietnam. The south of Vietnam also officially announced its independence and became known as the Republic of Vietnam in 1955. Since then, Vietnam remained partitioned into these two parts. From 1954 to 1975, the north came under the control of the Communist Party and became a communist nation under the influence of the Chinese Communist Party, while a democratic political system dominated the south with the participation of the US and its allies (Bui, 2006). During that period, significant variation occurred between the two regions in economic, political, cultural and social aspects with the north more likely to move toward the Chinese cultural style and the south more likely to be similar to the Western European and Anglo cultural style (Ralston, 1999). Kim (2007) proposed that no researcher in Vietnam could ignore the differences between northerners and southerners given the country's political history as well as its deep-seated cultural differences.

This research supports Kim's view and uses an established framework to measure cultural differences in Vietnam. Based on the Dheer et al. (2014) framework, culture values (individualism and collectivism) and cultural attitudes (toward risk) are used to measure the cultural difference between the north and south. As Ralston (1999) pointed out, the difference in culture between north and south Vietnam is similar to the difference between Western and Eastern culture with the US and Chinese as its prime two representatives respectively. The prior literature showed that Western culture is more likely to evoke individualism while Eastern culture is more likely to evoke collectivism (Hofstede, 1984; Triandis, 1989; Triandis, 2001). Hence, we can expect that the north of Vietnam is highly likely to be collectivist, and the south of Vietnam is highly likely to be individualist.

In addition, Kim (2007) found that people in the north place more emphasis on social conformity, family values, and religion than do people in the south. This is evident to demonstrate that people in the north seem to be "collectivists", who attach themselves to a group, strictly follow that group's rules and provide unquestionable loyalty to it (Hofstede, 1984). In contrast, in the south, people are more lax about formal rules and are prone to experimentation (Kim, 2007) which may demonstrate that they put more weight on their own preferences rather than on other people's judgements, and they are open to flexibility and change. Therefore, we propose the following hypothesis:

H1a: ***An independent director in the north of Vietnam is more likely to be higher on the collectivism dimension while an independent director in the south of Vietnam is more likely to be higher on the individualism dimension.***

Prior literature has indicated that attitude toward risk differs significantly between Western cultures and Eastern cultures (Marcus and Kitayama, 1991; Triandis, 1989; Tse, 1996; Bao et al., 2003). The explanation relies on differences in Western and Eastern social behaviour or between collectivistic and individualistic societies. Tse (1996) argued that in collectivistic Eastern societies where the discipline and hierarchy of a particular group are kept strictly, risk and uncertainty might be a source of the problem that challenges the within-group interest and existence; hence, risk-taking behaviour is discouraged. On the other hand, in Western society such as the US, where individual independent and competitive behaviour is encouraged, people tend to take more risks to overcome their own limitations, and the ability and willingness to explore uncertainty can be considered "an achievement of a life" (Marcus and Kitayama, 1991; Triandis, 1995). Bao et al. (2003) supported these arguments by empirical evidence to show that Chinese – as representative of Eastern culture – and the US – as representative of Western culture – are significantly different when it comes to risk-aversion, with the Chinese more risk-averse compared to Americans.

Additionally, findings from Ralston et al. (1998) and Kim (2007) also suggested that people in the south of Vietnam tend to be less risk-averse as compared with people in the north. According to Ralston et al. (1998) and Kim (2007), managers in the south tend to be more open to change and more self-motivated than managers in the north. Therefore, it is more likely that a director in the south will actively engage in challenges to improve themselves and be ready to take more risks to achieve their targets in their work. This also implies a lower cultural attitude towards risk of an independent director in the south as compared to a director in the north. Therefore, we hypothesize that:

H1b: ***Independent directors in the south are less risk-averse than independent directors in the north of Vietnam.***

3.2 Cultural difference and creating accountability of independent directors

Accountability of directors can be seen from different perspectives such as behaviour perspective (Roberts et al., 2005; Huse, 2005; Aguilera, 2005), expertise perspective or legal perspective (Soobaroyen and Mahadeo, 2012). Among these, creating accountability from a behaviour perspective is considered critical to any examination of the effectiveness of an independent director as this aspect of accountability fills the gap between board role expectations and actual board performance (Huse, 2005). According to Roberts et al. (2005, p.11), actual board effectiveness "depends upon the behavioural dynamics of a board and how the web of interpersonal and group relationships between executive and non-executives is developed in a particular company context".

By using the framework in Roberts et al.'s (2005) study, we aim to link cultural difference within Vietnam with the creation of accountability of independent directors from the behaviour perspective. Roberts et al.'s (2005) research suggested that to create accountability of independent directors; it is important to combine elements of control and collaboration. Thus, an independent director should be "engaged but non-executive, challenging but supportive and involved but independent" (Roberts et al., 2005, p.13). The first dimension of creating accountability – "engaged but non-executive" – refers to the work of independent directors to actively engage in improving their knowledge about their firms in order to contribute more to boardroom activities while at the same time maintaining their non-executive role. The second dimension – "Challenging but supportive" – refers to the role of independent directors in raising questions to challenge executive members but doing so in a supportive and helpful manner. Finally, "independent but involved" requires independent directors to keep an independence of mind in order to establish an objective view of executive members but also need to become involved to understand the company's situation.

To create accountability in the boardroom, an independent director needs to be "engaged but non-executive". This refers to the requirement that an independent director should engage in company business sufficiently to understand its nature as well as any uniqueness in the firm's operations. In other words, it is a process to build up knowledge about the company in which independent directors are participating. However, an independent director must be aware that they are not executive members. Hence he/she should not attempt to make any decision on behalf of executive members; rather they should provide valuable advice/opinions/ideas to support the decision-making process.

Huse (2005) claimed that the process of creating accountability among independent directors includes understanding their personal decision-making culture, which can itself be affected by national culture. To create a decision-making culture, a director should have openness and generosity, creativity and criticality (Huse, 2004). With regard to these characteristics, individualists seem to be in a better position to create accountability than collectivists, since individualists are more confident in their creative abilities and have more opportunities to be more critical in their assessment. This is because they aim to have an independent judgement on whatever information is received from others (Saad et al., 2015). On the other hand, individualists are also “egocentric, separate, autonomous, idiocentric and self-contained” (Markus and Kitayama, 1991, p.226). They might make decisions based on their own views after a thorough discussion with other board members and executive members. In doing so, they tend to be more active in acquiring information to understand the company business in order to become engaged and to enhance their participation in the boardroom. This characteristic allows independent directors who score high on individualism to be at a higher level of creating accountability than those who score high on the collectivism.

Given the tendency that independent directors in the south are more likely to be individualists and independent directors in the north are more likely to be collectivists, we pose the following hypothesis:

H2a: ***Independent directors in the south are more likely be engaged in company business than independent directors in the north***.

To be accountable as an independent director, a director should employ the objectivity that his/her relative distance from day-to-day activities allows him/her to be such objective. This is accompanied by his/her own knowledge and experience acquired from his/her existing business activities elsewhere. The purpose of this knowledge and experience is to challenge executives but on a supportive basis. When an independent director takes the risk of speaking out with his/her opinions to challenge executives, this may add value to the firm and, in particular, encourage them to review their performance. In this sense, it is required that an independent director should be willing to take risks in asking questions and also to take additional action to follow up the executives’ response rather than allow them to ignore the questions (Roberts et al., 2005).

Attitude toward risk is a result of risk perceptions and risk preferences (Weber and Hsee, 1998) and can be classified as risk aversion and risk propensity. Attitude toward risk implies an exploration of the way individuals respond to perceived risk. This is strongly influenced by national institutional context, particularly cultural background (Makhija and Steward, 2002). A high risk-averse measure means people have a tendency to be less willing to take risky decisions, and they attempt to avoid risk if possible while the reversed tendency can be found in people with high-risk propensity (i.e., low-risk aversion).

According to Eisenhardt (1989), agency theory, a prominent theory in corporate governance, is concerned with solving two issues in an agency relationship, namely, the agency problem and the problem of risk sharing among parties. He proposed that, due to differences in attitude toward risk and risk preferences, principals and agents may prefer different actions in governing a company, causing conflict between them. If the principal becomes more risk adverse, it is highly likely that the principal (directors as representatives) will pass the risk to the agent (managers). In effectively doing so, an independent director tends to avoid risks by not raising their own opinions or asking questions to challenge managers in a supportive way. Rather, an independent director may leave the decisions to the chairperson and/or management and follow others' opinions or agree with any decision. Roberts et al. (2005) argued that asking questions to challenge executives is one way to contribute to board effectiveness, but it involves a risk-taking attitude of independent directors because speaking out risks a director "feeling stupid at the time asking a question" (p.S14). Therefore, it may lead to lower level of creating accountability of independent directors in the boardroom.

Considering the possibility that independent directors in the south tend to have a lower level of risk-aversion while independent directors in the north tend to have a higher level of risk-aversion as discussed in section 3.1, we hypothesize that:

H2b***: Independent directors in the north tend to be less likely to challenge executive members than independent directors in the south.***

In addition, to be successful in the position of an independent director, a director needs to get involved in board discussions and board decision-making processes while still keeping his/her independence from the executives. In order to create such involvement, independent directors need to have the ability to see things differently and provide executive advice from different perspectives. Roberts et al. (2005) argued that the independence of directors should not be viewed as a tool to enhance the suspiciousness of the executives but rather an incentive to support executives from a different perspective. In this situation, the creativity, criticality, and openness of independent directors are the keys to initiating and increasing the involvement of directors on the board. This openness facilitates positive dialogue between executives and directors to make the best possible decisions for the company. Creativity allows independent directors to offer creative solutions to particular dilemmas, and criticality helps directors identify the issues in a timely manner and be responsive quickly.

According to Hofstede (1980), individualists linked their values to their preferences for individual decision-making. Thus they are likely to express a tendency to contribute to the decision-making process critically. Apart from that, Saad et al. (2015) found that persons who are individualists tend to be more creative than those who are collectivists. Thus individualists might be in a better position to provide creative solutions to executives than collectivists. Furthermore, individualists are found to be more open to change and open for dialogue (Chaganti and Greene, 2002). Thus, he/she is more approachable for executive members to create robustness in the boardroom debate. Conversely, collectivists have a strong feeling of belonging to a group, and they follow instructions and the rules of that group. Thus they will become relatively dependent on group decisions. Based on the prior literature, at least theoretically, it can be seen that, from a cultural perspective, individualists will be more critical, creative and open for debate. Thus, independent directors who are individualists are more likely to have a higher level of involvement on the board.

Considering the possibility that independent directors in the south are more likely to score higher on the individualism dimension and independent directors in the north are more likely to score higher on the collectivism dimension, we propose the following hypothesis:

H2c: ***Independent directors in the south are more likely to be involved than independent directors in the north.***

4. Research design

4.1 Data collection

The data for this study were collected via a mail questionnaire survey distributed to independent directors in listed companies in Vietnam.

Because the purpose of this study is to examine the association between cultural difference and the creation of accountability of independent directors, it emphasizes the exploration of culture and behaviour of independent directors on the board in creating accountability. In order to obtain the data on cultural background as well as the behaviour of independent directors on the board, survey seems to be an appropriate data collection method. According to Floyd (2007), survey is particularly useful in collecting information about the behaviours and situations of people because "numerous facts about the behaviours and situations of people that can be obtained only by asking a sample of people about themselves" (p.2). In this study, by directly surveying independent directors about their reactions/decisions in hypothetical scenarios contextualised to Vietnam, the richness of the data allows us to analyze deeply the behaviours of independent directors and link these behaviours with their cultural background. Further, a mail survey ensures anonymity and can be sent to numerous potential participants at one time; mail survey appears to be the most suitable method to encourage participants and to obtain a considerable number of responses. Sufficient responses are critical for statistical tests relating to the hypotheses. For those two reasons, we decide to adopt mail survey to collect primary data from independent directors to test the hypotheses. The survey was distributed via post mails to 810 independent directors of 354 listed companies in both Ho Chi Minh and Hanoi Stock Exchanges. We received 190 responses in total, but after screening the response for manipulation checks and incomplete survey forms, 170 usable responses remained, representing a response rate of 21%. This response rate is reasonable given the difficulties of obtaining responses from a mailed survey since the participation in the survey is un-forced and voluntary. According to Baruch (1999), in published academic papers using surveys to collect data, when the respondents are top managers or representatives of organizations, the average response rate was around 20% to 49%. In addition, Visser et al. (1996) found that surveys with lower response rates (those around 20%) yielded more accurate and reliable measurements than surveys with higher response rate (50% or more).

In addition, because the purpose of this study is to examine whether any cultural difference occurs between independent directors in the north and south of Vietnam, the survey was sent to participants in different cities/provinces balanced between the two regions. In the 170 responses received, 98 responses came from the North (58%) and 72 responses from the South (42%). These numbers of responses in two regions are sufficient for statistical analysis in this study.

4.2 Survey instrument

We tested our hypotheses using three practical scenarios based on hypothetical settings in which respondents are required to use their experience and knowledge to decide how they would act in each case. The three scenarios were constructed in relation to the three dimensions of creating accountability of independent directors suggested by Roberts et al. (2005). Scenario 1 relates to the capability of independent directors to be "engaged but not executive" whereas scenario 2 relates to the "challenging but supportive" dimension and scenario 3 is about the "independent but involved" dimension of creating accountability. Respondents were required to express their reaction to a particular situation that can measure their level of creating accountability. Their responses to the three scenarios were linked to their cultural background to measure how cultural differences affect the creation of accountability of independent directors. Care was taken to ensure the scenarios' internal validity and to enable variation in the decision made to be attributable to cultural values. The scenarios are also built upon the interviews and suggestions in Roberts et al.'s (2005) and Judge and Zeithaml's (1992) papers on the analysis of creating accountability of independent directors.

To test the validity, readability, and comprehension of the questions and scenarios, a pilot test was taken in which an English draft of the survey was sent to a number of senior academic staff in the Department of Accounting and Corporate Governance at Macquarie University. After correcting the survey as per their suggestions, another draft of the survey in Vietnamese was sent to some academic staff in the Faculty of Banking and Finance at the Foreign Trade University to check the suitability of the questionnaires with Vietnamese practice. After the pilot test, any problems identified were rectified to ensure the readability, comprehension, and suitability of the survey with the research objectives and Vietnamese culture and practice.

The research instrument consisted of four sections. In the first part, an information sheet was provided to participants to acknowledge the objectives and relevant information of the survey. At the beginning of each section, a brief instruction was provided to ensure the clarity of the tasks. The first section of the survey collects information about demographic data, such as age, gender, working and living location, educational degree, experience, and expertise.

The second section consisted of three scenarios relating to creating accountability of independent directors. The first scenario aims to measure the engagement of independent directors in a company's business. It asks how independent directors gather information to understand the nature of the company when they are newly appointed. The five options are associated with individualism/collectivism in which independent directors may independently participate in a company's activities/meetings to gather information, or they can use their network/personal relationships to obtain information. The second scenario targets the "challenging but supportive" aspect of creating accountability, which then links to the attitude toward risk scores of independent directors. The scenario is about how independent directors react against/challenge a risky project in which most other board members agree to approve. The last scenario captured the "independent but involved" aspect, in which participants were asked how they could become involved in a board discussion while maintaining their independence. The scenario was then linked to the individualism/collectivism dimension to see if differences in this cultural dimension affected the involvement of independent directors.

The third section consisted of Shulruf, Hattie and Dixon's Auckland Individualism and Collectivism Scale (AICS) (Shulruf et al., 2007) survey questions to measure the Individualism/Collectivism of the respondents. The advantage of this measure is that it can reduce the flaws identified in previous scales used to measure individualism and collectivism such as "reference-group bias" or influence of familialism (Shulruf et al., 2007). The survey consists of 30 items, but after considering the circumstances in Vietnam,[18] we decided to use only 23 out of them to measure the individualism/collectivism dimension in the cultural background of independent directors in Vietnam. Each item measures the level of agreement of individuals in three dimensions of individualism (Responsibility, uniqueness, and competitiveness) and two dimensions of collectivism (Advice and harmony) on a five-point Likert scale (where 1 denotes "Strongly disagree" and 5 denotes "Strongly agree").

The fourth section measures the attitude toward risk of independent directors using the Domain-Specific Risk-Taking (DOSPERT) scale developed by Blais and Weber (2006). The DOSPERT scale consists of 30 questions designed to measure individual tendency toward risk taking across five domains: Ethical, Financial, Health/Safety, Recreational and Social. Each item evaluates to what extent an individual may engage in a risky activity/behaviour on a seven-point Likert scale (Where 1 denotes "Extremely Unlikely" and 7 denotes "Extremely Likely"). We also eliminated some items in this part to adjust for uniqueness in cultural practice in Vietnam, and the final version of the survey consisted of 21 questions.[19] For each respondent in this study, the attitude toward risk score was calculated by using the summation of their responses to 21 questions in the survey. The higher the total scores indicates higher attitude toward risks.

5. Results and discussion

5.1 Cultural difference between independent directors in the north and the south of Vietnam

In the hypothesis development section 3.1, we proposed that there is a difference in the cultural background of independent directors from the north and the south of Vietnam. The study explores this difference by examining two cultural values – individualism/collectivism – and one cultural attitude – attitude toward risks – of independent directors in the sample.

5.1.1 Difference in cultural values between independent directors in the north and the south:

It is predicted that independent directors who participated in this study will exhibit a difference in the cultural values of Individualism and Collectivism, in which independent directors in the north tend to score higher on the Collectivism dimension whereas independent

[18] Since the question sets were based on Western culture, some questions which are not familiar to Vietnamese persons were removed (such as: strong statements that measure extremes for individualism/collectivism).
[19] In Vietnam, there are some restrictions on several activities (such as: no horse racing, or poker games). It is also not common for wilderness camping, skiing, and white-water rafting. Sensitive questions relating to sex or having an affair with a married person are not encouraged, so all related questions needed to be removed.

directors in the south tend to score higher on the Individualism dimension. If results in the survey express this tendency, H1a is to be supported.

To calculate the scores on cultural dimensions of Individualism and Collectivism, we employed the framework proposed by Shulruf, Hattie and Dixon called the Auckland Individualism and Collectivism Scale (AICS) (Shulruf et al., 2007). Based on responses to 23 items in which 11 items measure individualism, and 12 items measure collectivism, we calculate the score for Individualism and Collectivism for each respondent and then take the average of scores for independent directors in the north and the south. The results are presented in Table 4.1.

Table 4.1 shows that independent directors in the south score higher than independent directors in the north on individualism (50.68 against 47.49) but lower on collectivism (34.75 against 39.01). We also tested for any significant difference between the two means (difference in Collectivism and Individualism between respondents in the north and the south) and the results show the significance at 5% and 1% respectively. From this, we accept H1a, which states that independent directors in the north of Vietnam are more likely to be higher on the collectivism dimension while independent directors in the south are more likely to be higher on the individualism dimension.

This result shows that although there forty years have passed since the reunification of the country, the cultural difference between the north and the south of Vietnam persists. However, when we further examine the results of the survey, we found that the intra-country cultural difference is not indeed significant across all items. Considering the responses for 23 items individually, we found that 15 out of 23 items did show a significant difference in scores between independent directors in the north and the south whereas eight remaining items did not show a significant difference as expected. This result demonstrates that, in some measures of the individualism/collectivism dimensions, independent directors in the north and the south are not significantly different or, in other words, there is a signal that cultural convergence between two regions is likely to be taking shape.

Table 4.1 – Individualism/Collectivism Scores for independent directors in the North and the South of Vietnam

The table describes the scores for the Individualism/Collectivism dimensions of independent directors in the north and the south of Vietnam. Eleven items measure Individualism, and 12 items measure Individualism for each respondent. The score of each item was then added up to arrive at an individualism score and a collectivism score for each respondent. The Individualism row in the table shows the average score of all respondents in the north and the south and, similarly, the Collectivism row in the table shows the average score of all respondents in the two regions. We compare the mean of the Individualism/Collectivism scores as well as the mean of each item in the measure by the Independent Sample t-test.

Cultural value	IDs in the North (1)	IDs in the South (2)	Mean difference (3)=(1)-(2)	Expected Scores (4)	Hypothesis Accepted/ Rejected (5)
Individualism	**39.64 (6.05)**	**42.82 (5.17)**	**-3.18**	**The South > The North**	**Accept H1a P=0.000*** **
I define myself as a competitive person	3.54 (0.93)	3.69 (0.93)	-0.15		P=0.289
I enjoy working in situations involving competition with others	3.54 (0.98)	3.96 (0.90)	-0.42		P=0.005***
Without competition, it is not possible to have a good society	4.09 (0.86)	4.40 (0.73)	-0.31		P=0.023**
I consider myself as a unique person separate from others	3.24 (1.10)	3.61 (1.01)	-0.37		P=0.028**
I enjoy being unique and different from others	3.12 (1.09)	3.16 (1.12)	-0.04		P=0.859
I see myself as “my own person”	3.43 (1.14)	3.50 (1.22)	-0.07		P=0.738
I take responsibility for my own actions	4.09 (1.00)	4.61 (0.89)	-0.52		P=0.000***
It is important for me to act as an independent person	3.67 (0.88)	4.13 (0.72)	-0.46		P=0.000***
Being able to take care of myself is a primary concern for me	3.47 (0.98)	3.76 (0.91)	-0.29		P=0.047**
I prefer to be self-reliant rather than depend on others	3.72 (0.96)	4.17 (0.65)	-0.45		P=0.001***
When faced with a difficult personal problem, it is better to decide for myself, than follow the advice of others	3.71 (0.90)	3.83 (0.78)	-0.12		P=0.338
Collectivism	**46.16 (6.24)**	**42.82 (6.33)**	**3.34**	**The North > The South**	**Accept H1a p=0.010*** **
I consult my family before making an important decision.	3.74 (0.99)	3.67 (1.21)	0.07		p=0.645

It is important to consult senior colleagues and get their ideas before making a decision	3.95 (0.90)	3.71 (1.04)	0.24		p=0.090*
Even when I strongly disagree with my group members, I avoid an argument	3.37 (1.27)	2.94 (1.21)	0.43		p=0.030**
I hate to disagree with others in my group	3.29 (1.17)	2.84 (1.18)	0.45		p=0.015**
It is important to make a good impression on one's manager	4.06 (0.85)	3.93 (0.91)	0.13		p=0.337
It is important to consider the needs of those who work above me	3.94 (0.78)	3.51 (0.99)	0.43		P=0.002***
I sacrifice my self-interest for the benefit of my group	3.72 (0.92)	3.71 (0.93)	0.01		P=0.402
I have the feeling that my relationships with others are more important than my own accomplishments	3.84 (1.05)	3.64 (1.02)	0.20		P=0.160
To me, pleasure is spending time with my superiors	4.31 (0.90)	4.06 (0.97)	0.25		P=0.088*
I help acquaintances, even if it is inconvenient	3.78 (0.97)	3.61 (1.12)	0.17		P=0.278
I consult with my superior on work-related matters	4.05 (0.74)	3.41 (0.78)	0.64		P=0.000***
It is my duty to take care of my family, even when I have to sacrifice what I want	4.10 (0.95)	3.67 (0.81)	0.43		P=0.002***

*, **, *** denote 10%, 5% and 1% significance level respectively

5.1.2 Difference in attitude toward risk between independent directors in the north and the south of Vietnam

The second element in cultural difference targeted in this study is the difference in attitude toward risks between independent directors in the north and the south. In H1b, we proposed that independent directors in the south tend to be less risk-averse compared to independent directors in the north. This difference is mirrored in the difference in attitude toward risks between Eastern and Western cultures.

To measure the attitude toward risk of respondents, we use the Domain-Specific Risk-Taking (DOSPERT) scale by Blais and Weber (2006). Based on the responses to each item in DOSPERT, we calculate the scores for participants and then average the score for independent directors north and south. Table 4.2 demonstrates the result for attitude toward risks measurement.

As shown in Table 4.2, independent directors in the south scored higher than independent directors in the north, which indicates a lower level of risk-aversion of independent directors in the south. They tend to be ready to take more risks (rated higher in risk situations) as compared with independent directors in the north. This result supports H1b, which predicts a lower level of risk aversion of independent directors from the south of Vietnam.

Table 4.2 – Difference in Attitude toward risks between independent directors in the North and the South of Vietnam

The table describes the score for attitude toward risks of independent directors in the sample. We add up all the scores in each item in the survey to arrive at the individual attitude toward risks score; then we take the average of the scores of all respondents in the north and the south. Finally, the average score in two regions is compared by the Independent Sample T-test.

Attitude toward risks	IDs in the North (1)	IDs in the South (2)	Mean difference (3)=(1)-(2)	Expected Scores	Hypothesis Accepted/ Rejected
Average scores	54.11 (12.44)	60.53 (15.15)	-6.416	The South > The North	Accept H1b P=0.005***
Betting a month's income on the outcome of a sporting event (For example a football match)	1.74 (1.30)	1.81 (1.46)	-0.06		P=0.775
Investing 10% of your annual income in a moderate growth mutual fund	3.43 (1.66)	3.85 (1.46)	-0.32		P=0.100*
Drinking heavily at a social function	2.97 (1.53)	3.24 (1.67)	-0.27		P=2.82
Disagreeing with an authority figure on a major issue	3.46 (1.41)	4.46 (1.34)	-1.00		P=0.000***
Having an affair with a married man/woman	2.14 (1.29)	2.75 (1.69)	-0.61		P=0.009***
Passing off somebody else's work as your own	1.79 (1.14)	2.11 (1.34)	-0.32		P=0.100*
Investing 5% of your annual income in a very speculative stock	3.66 (1.73)	4.11 (1.51)	-0.45		P=0.080*
Revealing a friend's secret to someone else	2.51 (1.57)	2.53 (1.51)	-0.02		P=0.945
Driving a car without wearing a seat belt	2.64 (1.58)	3.28 (1.87)	-0.64		P=0.018**
Investing 50% of your annual income in a new business venture	3.28 (1.47)	3.47 (1.64)	-0.19		P=0.421
Taking a skydiving class	2.87 (1.41)	3.10 (1.63)	-0.23		P=0.327
Riding a motorcycle without a helmet	2.09 (1.39)	2.31 (1.56)	-0.21		P=0.349
Choosing a career that you truly enjoy over a more secure one	4.20 (1.43)	4.49 (1.41)	-0.29		P=0.203

Speaking your mind about an unpopular issue in a meeting at work	3.10 (1.64)	3.26 (1.65)	-0.16		P=0.527
Piloting a small plane	2.67 (1.69)	2.69 (1.76)	-0.02		P=0.919
Moving to a city far away from your extended family	3.48 (1.76)	4.00 (1.83)	-0.52		P=0.063*
Starting a new career in your mid-thirties	3.70 (1.66)	3.96 (1.67)	-0.24		P=0.325
Leaving your young children at home alone while running an errand	2.49 (1.55)	3.17 (1.74)	-0.68		P=0.008***
Not returning a wallet you found that contains $1000	1.87 (1.33)	2.10 (1.39)	-0.23		P=0.277

*, **, *** denotes 10%, 5% and 1% significance level respectively

5.2 Influence of cultural difference on creating accountability of independent directors

To test if the difference in culture as measured by individualism/collectivism and attitude toward risk between Vietnam's two regions has any influence on creating accountability of independent directors, we construct three scenarios to capture three dimensions of creating accountability in corporate governance which are "engagement but non-executive", "challenging but supportive" and "independent but involved".

5.2.1 Cultural difference influences on the engagement of independent directors in the company business in Vietnam

H2a proposes that the difference in the individualism/collectivism dimension may influence the engagement of independent directors in the company business. H2a is tested by a one-way analysis of variance (ANOVA), where the region (north/south) is the independent variable, and the engagement of independent directors in the company business is the dependent variable. To measure the engagement of independent directors, we use a case study in which we examine how independent directors attempt to understand the nature of their company's business after they are appointed as board members. Five options link the engagement of independent directors with their cultural backgrounds. In particular, option 1 and option 2 demonstrate a relatively high engagement of independent directors who look for information from their in-group networks, whereas option 3 and option 4 show a very high engagement of independent directors who look for information independently from direct contact with the company. Option 5 shows a rather low engagement of independent directors since they only rely on information provided at the first board meeting, which may not cover the overall nature of the company's business.

We expect that independent directors in the north will score higher in options 1, 2 and 5 whereas independent directors in the south will score higher in options 3 and 4. Cell means and ANOVA results are shown in Table 4.3

Table 4.3 – Descriptive Statistics and ANOVA Results for the Influence of Cultural Difference the North and the South of Vietnam on the Engagement of Independent Directors in the Board

Criteria	Cultural Difference	Mean	Standard deviation	F	p-value
Attempt to seek as much information about Round Cookies Company as possible from your business network since you believe in the credibility of the information received from your network. (Case 1 Option 1)	The North N=98	3.95	0.72	28.861	0.000***
	The South N=72	3.31	0.098		
Attempt to seek information from employees in Round Cookies Company to understand the nature of its business. (Case 1 Option 2)	The North N=98	3.81	0.67	0.366	0.546
	The South N=72	3.74	0.84		
Request informal meetings with heads of departments and executive members to discuss Round Cookies Company's current situation. (Case 1 Option 3)	The North N=98	3.40	1.08	21.337	0.000***
	The South N=72	4.10	0.81		
Request a site visit to the factory and major departments of Round Cookies Company (such as finance department, sales, and marketing department). (Case 1 Option 4)	The North N=98	3.48	1.11	20.260	0.000***
	The South N=72	4.18	0.85		
Wait until the first board of directors' meeting and try to gather information from documents and materials provided by Round Cookies company to board members. (Case 1 Option 5)	The North N=98	4.19	0.77	2.942	0.088*
	The South N=72	3.99	0.79		

*, *** denote 10% and 1% significance level respectively

Results reported in Table 4.3 are in line with our expectation in H2a. Independent directors in the north revealed that it is somewhat likely that they will choose option 1 as their solution for collecting information about a firm's business (Mean = 3.95) whereas independent directors in the south seem to be not sure whether they will choose this solution (Mean = 3.31). The difference in their response is significant at a level less than 1%. With regard to option 2, although the results show that the degree to which independent directors in the north choose this option is higher than independent directors in the south, the difference is not statistically significant.

In both option 3 and option 4, respondents in the south said that it is somewhat likely that they will look for information at either an informal meeting with heads of departments and executive members to discuss Round Cookies Company's current situation (Option 3 – Mean = 4.10), or at a site visit to the factory and major departments of Round Cookies Company (Option 4 – Mean = 4.18). For independent directors in the north, the means of the response for option 3 and option 4 are 3.4 and 3.48 respectively. The results are also significant at less than the 1% level.

Finally, for option 5, results show that the likelihood that independent directors in the north (Mean = 4.19) choose this option is significantly higher than those in the south (Mean = 3.34). This supports our prediction in H2a.

Generally, H2a is accepted as the results show in Table 4.3. They indicate that the intra-country cultural difference between the north and the south in Vietnam may be associated with the difference in the level of engagement of independent directors in a company's business. This also means that the creation of accountability of independent directors in corporate governance can be differentiated by reference to the difference in culture, even when the cultural difference is within a country.

5.2.2 Cultural difference influences on the challenging tendency of independent directors

The influence of cultural difference on the tendency of independent directors to challenge executives is proposed in H2b. It suggested that independent directors in the south, with a lower level of risk-aversion, are more likely to challenge executive members than independent directors in the north with a higher level of risk-aversion. To test this hypothesis, we also used one-way analysis of variance (ANOVA), in which the region (north/south) is the independent variable, and the challenging of independent directors to executive members is the dependent variable.

The challenging tendency of independent directors is captured in case study 2. In that scenario, respondents were provided with several actions that they may take when they need to challenge a project proposed by executive members. Actions 1, 2 and 5 are actions that are against the project, but independent directors do not challenge the management. Actions 3 and 4 are actions where independent directors attempt to approach executive members and chairpersons in order to challenge the project before the board makes its final decision.

According to Roberts et al. (2005), challenging executives by asking questions involves a risk-taking attitude from independent directors. We predicted that independent directors in the south with a lower level of risk-aversion are more likely to take actions 3 and 4 whereas independent directors in the north tend to choose action 1, 2 or 5. Cell means and ANOVA results are presented in Table 4.4.

As shown in Table 4.4, there are significant differences in options taken by respondents in the north and the south in actions 1, 3, 4 and 5 (F = 7.749; 6.868; 25.564; 4.804 respectively) while there is no significant difference in action 2 (F = 0.382). In addition, more than 50% of respondents from the south chose to take actions 3 and 4 (mean = 0.55 and 0.56 respectively) while these numbers in the north are around 20% (mean = 0.26 and 0.20 respectively). On the other hand, respondents in the north are more likely to take action 1 (Mean = 0.27) and 5 (Mean = 0.30) than those in the south. Although the results failed to find a significant statistical difference in action 2, overall, the findings in the other 4 actions show evidence to support H2b, which states that independent directors with a more risk-averse attitude tend to be less likely to challenge executive members than a director with a lower risk-averse attitude.

5.2.3 Influence of cultural differences on involvement of independent directors in the board

The influence of cultural differences on the involvement of independent directors in the board is tested in H2c. H2c proposed that independent directors in the south with high scores on the individualism dimension are more likely be involved in the board than independent directors in the north with high scores on the collectivism dimension. Again, the one-way analysis of variance (ANOVA) was used to test this hypothesis.

Table 4.4 – Descriptive Statistics and ANOVA Results for the Influence of Cultural Difference the North and the South of Vietnam on the Challenging of Independent Directors toward Management

Criteria	Cultural Difference	Mean	Standard deviation	F	p-value
Use your voting right to vote against the project (Case 2 Option 1)	The North N=98	0.27	0.44	7.749	0.006***
	The South N=72	0.10	0.29		
Negotiate with other board members to consolidate your voting power against the project (Case 2 Option 2)	The North N=98	0.11	0.32	0.382	0.537
	The South N=72	0.08	0.28		
Attempt to have an informal meeting with executive members to ask more questions about the project (Case 2 Option 3)	The North N=98	0.26	0..44	6.868	0.010***
	The South N=72	0.55	0.50		
Attempt to approach the chairman to discuss the project informally and request another meeting to reconsider the project. The final decision will be made by the chairman (Case 2 Option 4)	The North N=98	0.20	0.41	25.564	0.000***
	The South N=72	0.56	0.50		
Ask for an immediate board meeting via official communication channels to discuss more about the project (Case 2 Option 5)	The North N=98	0.30	0.46	4.804	0.030**
	The South N=72	0.15	0.36		

, * denote 5% and 1% significance level respectively

The level of involvement of independent directors was captured in scenario 3. In this scenario, respondents were provided with a case in which they might need to participate in a discussion with other board members and executives to make a final decision on the project. Independent directors have six options in which the first three options exhibit the tendency of independent directors not to get involved in the discussion and let the project be decided by the chairperson and executive members. The level of involvement of independent directors increases gradually from option 1 to option 3. The last three options demonstrate a high level of involvement where independent directors not only participate in the discussion but also contribute to the formulation of the proposal at the board meeting. The level of involvement also increases gradually from option 4 to option 6. Cell means and ANOVA results are shown in Table 4.5.

Table 4.5 – Descriptive Statistics and ANOVA Results for the Influence of Cultural Difference the North and the South of Vietnam on the Involvement of Independent Directors in the Board

Criteria	Cultural Difference	Mean	Standard deviation	F	p-value
Attend the meeting but do not participate in the discussion, listening only to the opinions of other directors (Case 3 Option 1)	The North N=98	2.91	1.02	15.342	0.000***
	The South N=72	2.28	1.06		
Participate in the discussion but allow the proposal to be formulated by other directors and leave the final decision to the board and executive members (Case 3 Option 2)	The North N=98	3.42	0.85	6.314	0.013**
	The South N=72	3.04	1.11		
Participate in the discussion and express your concerns about the proposal formulated by others through asking probing questions, but leave the final decision to the board and executive members (Case 3 Option 3)	The North N=98	3.63	0.72	1.275	0.261
	The South N=72	3.78	0.95		
Participate in the discussion and express your concerns about the proposal formulated by others through asking probing questions with the intention of achieving a revision of the proposal (Case 3 Option 4)	The North N=98	3.50	0.82	19.983	0.000***
	The South N=72	4.07	0.83		
Participate in the discussion and directly contribute to the formulation of the proposal at the board meeting (Case 3 Option 5)	The North N=98	3.39	0.0.84	6.409	0.013**
	The South N=72	3.72	0.86		
Participate in the discussion and directly contribute to the formulation of the proposal both at the meeting and informally with other directors outside the meeting (Case 3 Option 6)	The North N=98	3.15	0.80	2.011	0.158
	The South N=72	3.33	0.84		

, * denote 5% and 1% significance level respectively

The results reported in Table 4.5 show that respondents in the north are more likely to choose option 1 and 2 (Mean = 2.91; 3.42 respectively) than those in the south (Mean = 2.28; 3.04 respectively). The results are statistically significant at less than 5% (F = 15.342; 6.314 respectively). This indicates that independent directors in the north express the tendency to be less involved in the discussion on the board, and they may let decisions be made by the chairperson and executive members. By way of contrast, respondents in the south appear to be more likely to take options 4 and 5 (Mean = 4.07; 3.72 respectively) than those from the north (Mean = 3.50; 3.39 respectively) and the difference is also significant. This finding demonstrates that independent directors in the south with higher scores in individualism may be more involved in board discussions and contribute to the board's final decisions. We also found that difference in culture did not show a significant difference in the choice of independent directors for options 3 and 6 (F = 1.275; 2.011 respectively). However, the overall result still provides sufficient evidence to accept H2c.

6 Conclusion

Vietnam is considered a culturally-rich country in Asia where, due to its historical development, the north of Vietnam has been heavily influenced by Eastern culture and the south has been influenced mainly by Western culture. This study provides evidence of an intra-country cultural difference between the north and the south of Vietnam. In particular, we examined this difference by way of two cultural values – individualism and collectivism – and in one cultural attitude – attitude toward risk – for a sample of 170 independent directors in listed companies in Vietnam. The findings demonstrated that independent directors in the north exhibited higher scores on the collectivism dimension while independent directors in the south scored higher on the individualism dimension. Concerning the attitude toward risk, the study also suggested that southern independent directors showed a lower level of risk-aversion as compared with those in the north. This result confirms the persistence of cultural difference between the two regions due to their distinctive historical development, even after 40 years of reunification in Vietnam. Although the economic, political and population exchange between the two regions has been accelerated, cultural difference remains evident in Vietnamese society.

We then examine whether this cultural difference affects the creation of accountability of independent directors in corporate governance. As suggested by Roberts et al. (2005), creating accountability of independent directors on the board (which is measured by the level of engagement, involvement, and challenging of independent directors) is critical to improving the effectiveness of the board and that culture is a factor that may have an influence on creating accountability. We argued that individualistic/collectivistic features affect the engagement of independent directors in a company's business and the involvement of directors on a board. Furthermore, attitude toward risk also influences the challenging tendency of independent directors in which lower risk-averse directors may challenge executive members more. In other words, independent directors in the south exhibit a higher level of creating accountability than those in the north of Vietnam.

The study makes a theoretical contribution to the corporate governance literature and particularly to the literature concerning boards of directors and independent directors. Li and Harrison (2008b) suggested that national culture is an important factor that may have countrywide implications for the composition and leadership structure of boards. As suggested by Dheer et al. (2014), we take into account intra-cultural difference and extend Roberts et al.'s (2005) study on creating accountability of independent directors. Our findings suggest that intra-cultural difference is also a critical factor that cannot be ignored in studies of corporate governance in countries where there are intra-cultural differences.

Further, the findings of this study provide several practical implications for both policy makers and practitioners in Vietnam. For policy makers, intra-cultural difference may result in a lower level of creating accountability of independent directors on a board, which may need to be taken into account in future legislations relating to independent directors. In addition, companies should be aware of this issue and make relevant adjustments to their board structures that take into account the cultural background of independent directors. Now that the issue of intra-cultural difference has been identified in the prior literature and this study, appropriate designs for corporate governance and a corporate board structure could be proposed to deal with it.

An extension of this study might be to capture the cultural effect in corporate governance such as the behaviour of the executives/board members, board committees, auditors, and so on, as well as the impact of intra-cultural difference in Vietnam and to incorporate it into different aspects of not only corporate governance but also of different business activities.

There are a few limitations in this study. We measured intra-country cultural difference using a sample of 170 independent directors in listed companies. The relatively small number of observations in this study may raise concerns about the generalization of the results and about whether the findings in this study can apply to other groups of directors in the north and the south of Vietnam. Other studies can target different groups of participants to examine if an intra-cultural difference can be found. In addition, the study measures intra-cultural difference by only two cultural dimensions (individualism/collectivism) and one cultural attitude (attitude toward risk). We use these two cultural values because individualism and collectivism have been found to be the most relevant cultural dimensions for cultural difference studies and was promoted as the exemplary cultural values used in studying intra-cultural difference (Deer et al., 2015). However, other cultural values (such as power distance or uncertainty avoidance) can be beneficial to measure the intra-cultural difference in Vietnam since these two cultural values can capture the difference between the Eastern-oriented culture and the Western-oriented cultures (Triandis et al., 1989). Finally, this study examines intra-cultural difference in a unique context, which is Vietnam. Another study can target different countries to examine if intra-cultural difference exists and to understand how this difference may affect various aspects of corporate governance.

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Chapter 5: Conclusion

This final chapter provides a summary of the findings, implications and limitations of the thesis and suggestions for future research. Section 1 summarizes the findings in previous chapters to provide an overall conclusion to the whole thesis. Section 2 provides several implications from the theoretical and practical perspectives of the thesis. Finally, section 3 points out some limitations of the thesis and section 4 suggests areas of research in the future.

1. Summary of the findings

The purpose of this thesis is to examine independent directors in the corporate governance of listed companies in Vietnam from three aspects: (1) the relationship between independent directors and firm performance, (2) the perceptions of independent directors of their roles and challenges on the board of directors and finally, (3) the linkage between the creation of accountability of independent directors and cultural difference between two regions – the north and the south of Vietnam. Findings from the thesis suggest that, currently, there are numerous challenges preventing independent directors from being effective in contributing to improvement in firm performance. These challenges come from independent directors themselves (limited to their perceptions of their roles), from corporate governance systems (caused by weak governance mechanisms, concentrated ownership and the dominance of the State) as well as from the social environment (intra-cultural difference within Vietnam). The following provides a summary of findings in each of three papers in the thesis.

In chapter 2, by using archival data, the paper quantified the relationship between independent directors and firm performance in listed companies on Vietnam stock exchanges where firm performance is measured by accounting measures (ROA and ROE). Findings in this chapter demonstrated that independent directors in Vietnam are significantly and negatively associated with firm performance. This contradicts with what has been found in prior literature in other emerging and developing countries (for example: Black and Kim, 2012; Liu et al., 2015). Possible explanations for this result are independent directors' lack of knowledge of a firm's business, along with challenges stemming from concentrated ownership and information asymmetries. The study also found evidence that firms with dispersed ownership structures exhibited a positive relationship between independent directors and firm performance while firms with concentrated ownership structures have a significantly negative relationship. Due to the dominance in the sample of firms with concentrated ownership, the overall relationship between independent directors and firm performance appears to be significantly negative. Further, we also found evidence that the presence of the State in corporate ownership structures undermines the role of independent directors and leads to a more negative relationship between independent directors and firm performance in firms with the State as a controlling shareholder as compared with firms with private controlling shareholders.

After examining the relationship between independent directors and firm performance in chapter 2, chapter 3 provided a deeper insight into independent directors' perceptions of their roles and challenges by using primary data collected directly from independent directors. Findings in this chapter indicate that independent directors in Vietnam show a preference for the advisory function over the monitoring function on the board and that they face numerous challenges when participating in the business of the board of directors. Their first challenge is the lack of information required for decision making processes that prevents them from being effective in their roles, both in monitoring and advisory functions. The independence paradox is also an issue in that independent directors who did not have sufficient access to internal source of information needed to rely on publicly available data in the market. As a result, independent directors face various difficulties in their activities on the board due to their lack of relevant information. The second significant challenge for independent directors is the dominance of controlling shareholders in the company, particularly the dominance of the State as a controlling shareholder. Due to the influence of controlling shareholders throughout their controlling powers, independent directors are reluctant to execute their monitoring function over management and controlling shareholders since they need the shareholders' votes to be elected as board members and it is difficult for them to be entirely independent from controlling shareholders who nominate, support and appoint them. Generally, the study provided some further explanation about the reasons independent directors were not effective within the corporate governance system, and thus did not positively contribute to improve firm performance. The results of this study can be used as supplementary sources of information to explain the results found in chapter 2.

In the next chapter – chapter 4 – the thesis examines the impact of one environmental factor – the culture factor on creating accountability of independent directors since intra-cultural difference within Vietnam is a very unique feature of this country. The literature suggests that the enhancement of the accountability of independent directors can contribute to improving the effectiveness of independent directors on the board, yet, in the creation process, differences in behaviour can result in different levels of accountability that is created (Robert et al., 2005; Huse, 2005). In this chapter, we found that intra-cultural difference does indeed operate between independent directors in the north and the south of Vietnam. Independent directors in the south demonstrated higher scores in the individualism dimension and were less risk-averse while independent directors in the north expressed higher scores in the collectivism dimension and were more risk-averse. This is evidence of a persistence of cultural difference lasting over a long period of time in this country despite the reunification between the north and the south since 1975. The study, then, found that there are differences in creating accountability of independent directors associated with differences in culture between two regions – the north and the south. In particular, independent directors in the south, being less risk-averse and higher in the individualism score, demonstrated a higher level of engagement, involvement and challenge on the board while independent directors in the north showed a lower level in all aspects of creating accountability.

In conclusion, the thesis found that independent directors in Vietnam are not currently effective in their role as an internal governance mechanism to substitute for weak external governance mechanisms as suggested by the prior literature. Independent directors did not contribute to enhance firm performance due to both internal and external factors. From the internal aspect, independent directors themselves did not focus on the monitoring role – the important function that may help to mitigate agency conflicts in corporate governance and to improve firm performance. Instead, they prefer to undertake an advisory role which theoretically can contribute to enhance firm performance. However, information asymmetries and the lack of relevant information for decision making prevent independent directors from being effective in the advisory role, with the result that they are less able to contribute to firm performance by this means. From an external aspect, high ownership concentration with powerful controlling shareholders is another obstacle for independent directors in the execution of their roles on the board. Controlling shareholders can use their power to control other board members or to influence independent directors' decisions. Findings from the survey in chapter 3 show that independent directors in Vietnam have been heavily influenced by controlling shareholders so that they could not properly execute their responsibilities on the board of directors. Finally, cultural difference within Vietnam has been found to be another factor that affects the process of creating accountability of independent directors in the boardroom, impacting the effectiveness of independent directors in corporate governance. Due to this intra-cultural difference, independent directors in the north and the south of Vietnam are more than likely to have different levels of creating accountability. Thus, it is difficult to enforce single legislative program to promote the creation of accountability of independent directors in companies across the two regions in Vietnam.

2. Implications

Findings in this thesis have both theoretical and practical implications.

2.1 Theoretical implications

This thesis contributes to the literature on independent directors in a number of ways. It can be seen in the literature relating to (1) the roles of independent directors, (2) the challenges for independent directors, and (3) the accountability of independent directors.

2.1.1 Literature on the roles of independent directors

Prior literature commonly focuses on the monitoring role of independent directors (see Bhagat and Bolton, 2008 for a review) while the advisory roles have recently attracted attention from researchers (Faleye et al., 2013). Studies on the relationship between independent directors and firm performance are mainly based on the assumption that independent directors contribute to improve firm performance via their monitoring capacity by mitigating agency conflicts between management and shareholders (for example Bhagat and Bolton, 2008 and Liu et al., 2015). Qualitative studies on the roles of independent directors in developed countries confirm the preference of independent directors for focusing on their monitoring roles while sitting on the board (Hoghiemstra and Van Manen, 2004; Brooks et al., 2009). With regard to advisory roles, independent directors contribute to improving firm performance by providing advice to management on their firms' strategic decisions (Adam and Ferreira, 2007, Faleye et al., 2013). However, for emerging, developing countries and for transition economies, due to the influence of ownership concentration as well as the recent adoption of independent directors as an internal governance mechanism, it has not been clear how independent directors understand their roles on the board. Findings in this thesis extend the literature on the roles of independent directors by examining the perceptions of these directors in a transition economy and by utilizing a qualitative approach to obtain data directly from members of this group. The study in chapter 3 found that in Vietnam, independent directors tend to place more emphasis on their advisory role than their monitoring role. This indicates that, regardless of the prevalence of a monitoring role of independent directors suggested in the literature, directors aim to undertake these two functions at the same time and their preference for one or the other may change according to a particular circumstance in a different context. In transition economies, where independent directors found it difficult to execute a monitoring function, they will shift their focus onto an advisory function when participating on the board.

The implication of this finding is that studies on independent directors, particularly on the relationship between independent directors and other corporate governance attributes and firm performance, should take into account the possible impact of both functions of the directors – monitoring function and advisory function.

2.1.2 Literature on the influence of ownership concentration and independent directors

Prior literature suggests that ownership concentration is one of the major challenges for independent directors. The prevalence of controlling shareholders that may disable independent directors' power on the board or over controlling shareholders can, to some extent, influence independent directors to collude between themselves. The literature attempted to measure the interaction between these two mechanisms by quantitative models (such as Dahya et al., 2008; Liu et al, 2015) but there is lack of studies examining the interaction using a qualitative approach. Kakabadse and Sanders (2010) conducted one of the first studies to explore the influence of ownership concentration on independent directors by means of interviewing corporate directors. However, one limitation of this study is the small numbers of participants in the interview (only 21 interviewees) and the sensitive nature of the data collected via interview method. Nevertheless, the study provides some insights into the influence of controlling shareholders on independent directors. Based on that study, chapter 3 pointed out the mechanism explaining how the controlling shareholders can either disable the independent directors or influence the directors' decisions. We found that controlling shareholders can exert their influence on independent directors by either nominating and appointing independent directors to the board, or by controlling majority board members via their voting power. The result reveals that in the interaction between controlling shareholders and independent directors, controlling shareholders can indeed undermine the role of independent directors in mitigating both principal-principal conflicts and principal-agent conflicts. While prior literature suggested that ownership concentration can be considered as one mechanism to mitigate principal-agent conflicts, it is only true if ownership concentration is accompanied by high legal investor protection and strong external governance mechanisms as in developed countries (Young et al., 2008). For transition economies, where external governance mechanisms are not in place or in a weak form, principal-principal conflicts become significant and controlling shareholders can undermine other governance mechanisms so that they can exploit the benefits of minority shareholders.

An implication of the thesis is that comprehensive research relating to controlling shareholders and independent directors needs to take into consideration information about the nomination of independent directors. If independent directors are nominated by controlling shareholders, it is more likely that those directors will be influenced by them for the benefit of those shareholders. In addition, the level of controllability of controlling shareholders over boards of directors also reveals the possibility of less effective independent directors on the board.

2.1.3 Literature on creating accountability of independent directors

Roberts et al. (2005) proposed a framework for independent directors to create accountability in which independent directors should be engaged but non-executive, challenging but supportive, and independent but involved. Following Roberts et al.'s (2005) study, Huse (2005) established a possible linkage between creating accountability of independent directors and the cultural background of the directors. The study in chapter 4 aimed to provide empirical evidence on the linkage between cultures and creating of accountability of independent directors in the context of a country with intra-cultural difference. Findings in this study demonstrated there is indeed an association between creating accountability of independent directors and intra-cultural differences between independent directors in the north and the south of Vietnam. This is also one of the first studies that attempts to examine this association using a qualitative approach via survey instruments.

The result of chapter 4 implies that culture is also one factor that contributes to enhance the effectiveness of independent directors through its influence on the creating accountability process. In particular, independent directors who are more likely to be individualists tend to have a higher level of accountability on the board while independent directors who are more likely to be collectivists tend to have a lower level of accountability. Similarly, independent directors who are less risk-averse show a tendency to be more accountable on the board while directors who are more risk-averse demonstrate a tendency to be less accountable. This study emphasizes the association of intra-cultural difference within a country and creating accountability of independent directors but further study can be conducted based on cross-country difference to confirm the association between national cultures and creating accountability of independent directors.

2.2 Practical implications

The thesis provides several implications for authorities, policy makers and practitioners who are interested in independent directors in Vietnam. It also provides practical implications for other transition economies and countries with rich cultural backgrounds.

2.2.1 For Vietnam:

a. For authorities, policy makers and regulators

Independent directors have been recently introduced in the new Corporate Governance Code in 2012 as a reform to the corporate governance system in Vietnam. The purpose of this adoption is to enhance internal governance mechanisms to substitute for the lack of, or weak, external governance mechanisms. However, the thesis found that independent directors have a negative relationship to firm performance. The likely reason is that the high concentrated ownership structure commonly found in many listed companies leads to the ineffectiveness of their independent directors. Moreover, the presence of the State as a controlling shareholder undermines the relationship between independent directors and firm performance more than the presence of private controlling shareholders. In addition, the survey in chapter 3 expressed the concerns of independent directors about the capacity of powerful controlling shareholders to control both executives, chairpersons and even the boards of directors in some cases so that independent directors in this study felt almost disable on their boards.

An important implication of this finding is that authorities should propose a long-term plan to encourage firms with State ownership to diversify their shareholdings to various external shareholders rather than concentrating ownership in the hands of the State and a small minority of shareholders. In doing so, the government should have a policy to gradually reduce State ownership in firms and reduce State intervention in firms' affairs via a privatization process. The other important policy factor is to attract more foreign investment by relaxing the restrictions on foreign ownership in listed companies. Encouraging more foreign investment will provide opportunities for firms to diversify their ownership structure to different types of shareholders.

The Corporate Governance Codes in 2012 made an important reform in corporate governance in Vietnam by introducing for the first time a new internal governance mechanism – independent directors. However, this legislation only provides a definition and a brief description of independent directors but not detailed guidelines on their responsibilities and duties. Findings in chapter 3 demonstrated that independent directors found it difficult to self-recognize appropriate roles without any guidelines in the Corporate Governance Codes. The lack of guidelines was criticized by many independent directors in the survey as one of the most common challenges for them when participating on the board. This highlights the need for detailed guidelines to be released by the regulators such as the Vietnam Securities Exchange Commission in any future corporate governance codes.

Furthermore, in chapter 4, the thesis concluded that intra-cultural difference is associated with differences in creating accountability of independent directors. This finding indicates an important implication for policy makers when considering any further reform relating to independent directors. It is difficult for new legislation to capture cultural difference in law. Therefore, policy makers need to take into account the behavioural difference of independent directors in the two regions when building policy. The effectiveness of any legislation may be affected by this cultural factor.

b. For practitioners

The result of this thesis set out in chapter 3 indicates that independent directors in Vietnam, generally, did not fully recognize the role of independent directors with regard to both monitoring and advisory functions. Only independent directors with law expertise exhibit a good understanding of their responsibilities on the board while independent directors with other expertise (accounting, non-manufacturing, and manufacturing) demonstrate a more limited recognition of their duties. This highlights the need for training to be provided to individuals who are appointed as independent directors on the board. Investors too should be aware that, currently, acting as an internal governance mechanism, independent directors did not perceive that they fulfilled their monitoring function on the board, and thus they may not actively contribute to the mitigation of agency conflict on the board.

Chapter 3 also found that controlling shareholders can influence independent directors by nominating and appointing them to the board, so that independent directors cannot be entirely independent from controlling shareholders. This leads to an exploration of the benefits of minority shareholders actively participating in the appointment of independent directors so that independent directors are indeed the representative of minority shareholders on the board and can protect their interests.

Additionally, findings in chapter 4 revealed that intra-cultural difference within Vietnam is associated with difference in creating accountability of independent directors, thus potentially associated with difference in the effectiveness of independent directors in two regions. Practitioners should be aware of this issue and make some adjustments to their governance systems and board structures relevant to the cultural background of directors on the board. For example, in the north where board members are highly likely to be collectivists, independent directors should be encouraged to participate in various board sub-committees so that they can contribute to the board's activities in particular groups of board members. On the other hand, in the south where board members are highly likely to be individualists, independent directors should be encouraged to participate and contribute to a board's activities independently. Now that the issue of intra-cultural difference has been identified, appropriate design of corporate governance and a corporate board can be proposed to deal with it.

2.2.2 For other countries

a. For other transition economies

In many transition economies, independent directors have recently been added to corporate governance regimes after legislative reform because they are perceived to be an effective internal monitoring mechanism. However, these countries experience common problems in their corporate governance systems such as high ownership concentration, weak legal investor protection, and a lack of a market for corporate control, among others. Findings in this thesis show that when legal investor protection is weak, a highly concentrated ownership structure can lead to less effective independent directors evidenced by a negative relationship between independent directors and firm performance. If minority shareholders cannot be involved in the appointment of independent directors due to weak legal investor protection, and if the power of controlling shareholders is significant, independent directors may have diminished role to play on the board.

Additionally, the significant feature of corporate governance in transition economies is the dominance of the State as the largest shareholders. Different from private shareholders, the State has broad power – political, financial and economic – that can redirect corporate objectives to governmental objectives (such as employment rate, social benefit, and so on). The analysis in chapter 2 found that in firms with the State as a controlling shareholder the relationship between independent directors and firm performance is worse than in firms with private controlling shareholders. This result may imply that in order to control the boards for the purpose of the State, the State may undermine independent directors more than private shareholders.

Findings in this thesis suggest that transition economies should gradually introduce more internal governance mechanisms into their corporate governance systems because independent directors themselves may not contribute largely to corporate governance and firm performance as the literature recommends they should be. The recent introduction of independent directors into corporate governance as well as the interaction between independent directors and other corporate governance mechanisms (such as ownership concentration, weak legal investor protection) may result in the ineffectiveness of independent directors.

b. For countries with a rich-cultural context

Findings in this thesis demonstrated that in countries with intra-cultural differences, culture is an important environmental factor that may affect the effectiveness of governance mechanisms and governance systems. Independent directors with different cultural backgrounds exhibited different levels of creating accountability, hence demonstrating different tendencies to be more or less accountable on the board. Thus, in order to promote the accountability of independent directors, in these countries, policy makers and companies need to collaborate for to secure appropriate legislation and a relevant board structure. Additionally, the impact of intra-cultural difference can be extended to managers, other board members and auditors to see how cultural factors influence corporate governance.

3. Limitations of the thesis

This thesis has several limitations. First, in the empirical study in chapter 2, there is one limitation relating to the recognition of independent directors. Although the study focuses on the influence of controlling shareholders on the relationship between independent directors and firm performance, we cannot separate two groups of independent directors – independent directors nominated and appointed by controlling shareholders and independent directors nominated by minority shareholders – due to limited information provided in the financial reports. This information is important in assessing whether independent directors are representing the interests of minority shareholders or they are under the control of controlling shareholders. If independent directors are nominated by minority shareholders, it is more likely that they will act in the interests of minority shareholders, thus contributing to mitigate both principal-principal and principal-agent conflicts. On the other hand, if independent directors are appointed by controlling shareholders, it is more likely that they will collude with controlling shareholders to exploit the benefits of minority shareholders. As a result, independent directors nominated by different shareholders may have different impacts on firm performance. Therefore, if we can collect information on the nomination of independent directors, further analysis can be conducted to explore the influence of controlling shareholders on the relationship between independent directors and firm performance.

Second, when examining the relationship between independent directors and firm performance, the thesis emphasizes the impact of the new Corporate Governance Codes released in 2012, hence the sample period was from 2010 to 2014. This means that only a two-year period since the new legislation has been included in the sample period and is rather short. Prior literature suggested that new legislation may take time to be effective in practice (Liu et al., 2015), so we can expect that it may take a few more years for independent directors to impose any positive effect on firm performance. A longer time period could, for example, provide updated results that reflect a lagged effect of independent directors on firm performance.

The third limitation of this thesis is a result of the inherent limitations on collecting data via surveys. Due to the lack of information provided in annual reports, only 810 independent directors could be included in the mailing list in the study. Although the respondents in the survey are from various regions throughout Vietnam across various industries, it may still have sample selection bias. Similar issues also existed in chapter 4.

Finally, in chapter 4, we measured intra-cultural difference by only two culture values (individualism and collectivism) and one culture attitude (attitude toward risk). The thesis used a set of statements proposed by Shulruf et al. (2007) to measure an individualism/collectivism dimension of independent directors and the DOSPERT scale developed by Blais and Weber (2006) to measure attitude toward risk. Although individualism/collectivism are proposed as the most relevant cultural dimensions for cultural difference study, it might be beneficial if alternative cultural dimensions (such as power distance and uncertainty avoidance) can be used to capture to intra-country cultural differences.

Finally, as mentioned in Chapter 1, independent director is a notion originally from Western countries using Western ideas of theory. When a country from Eastern cultures adopts independent director in its corporate governance, there might be an issue relating to difference in cultural and sociological context between Eastern and Western countries. This thesis examines the relation between independent directors and (1) firm performance, (2) other corporate governance mechanisms and (3) cultural difference within Vietnam. However, the thesis does not examine broader contexts such as the influence of cultural and sociological factors in Vietnam and their impacts om the implementation of independent director in accordance with the legislations in corporate governance. A further study can explore the adoption of independent director in Vietnam from a more general sociological and cultural perspectives.

4. Suggestions for future research

The thesis highlights some issues relating to independent directors in general as well as the influence of independent directors on firm performance in Vietnam as a transition economy. Due to their recent adoption in corporate governance systems, independent directors are a new and under-explored area in Vietnam. Independent directors are indeed an important internal governance mechanism in Vietnam where there is a lack of external governance mechanisms and other internal governance mechanisms are still non-existent or rather weak. It is necessary to conduct research to explore the areas/aspects in which independent directors are effective and the areas in which they are not effective. Apart from firm performance, future research may investigate the relationship between independent directors and other aspects of corporate activity such as information disclosures, , mergers and acquisitions, corporate policies such as debts or dividend policies, investment efficiency, monitoring capacity of the board of directors with regard to remuneration of executive members and so on. The release of Corporate Governance Codes in 2012 can be used as an important exogenous shock in further corporate governance studies to control for endogeneity and to ensure the validity of the results.

Moreover, as suggested in chapter 2, a future study covering a longer time period after 2012 may be helpful to confirm the relationship found in this thesis between independent directors and firm performance since independent directors may need some time to be effective in their roles on the board and contribute positively to firm performance.

Another stream of research that we recommend from this thesis is to examine the impact of intra-cultural difference between the north and the south of Vietnam on the behaviour of other parties in corporate governance such as executive members, board members or internal auditors. Similar to independent directors, intra-cultural difference can be associated with different management styles of executive members, with different decision making cultures of board members and with different auditing attitudes for auditors. It will be interesting to explore whether these differences also exist in Vietnam and what the implications of these differences, if any are found, will be for policy makers and practitioners. Apart from the influence of intra-cultural difference on the behaviour of individuals, intra-cultural difference can also be associated with difference in corporate cultures and corporate governance policies among companies in Vietnam.

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APPENDIX 1

SURVEY INSTRUMENT – ENGLISH VERSION

PARTICIPATION INFORMATION FORM

Examining the Roles of and Challenges for Independent Directors in a Transition Economy:

Supervisors: Associate Professor Elaine Evans and Dr Meiting Lu

You are invited to participate in a study of independent directors in Vietnam. The purpose of the study is to examine the perception of independent directors of their roles and challenges as well as the influence of regional cultural differences on the accountability of independent directors in the board.

The study is being conducted by Thi Tuyet Mai Nguyen, a PhD student in the Department of Accounting and Corporate Governance (Email: thi-tuyet-mai.nguyen1@students.mq.edu.au; mobile phone: +61 420732806); to meet the requirements of the PhD degree in Accounting and Corporate Governance, under the supervision of Associate Professor Elaine Evans (Elaine.evans@mq.edu.au; phone: +61 (0) 2 9850 6477) and Dr Meiting Lu (meiting.lu@mq.edu.au; phone: +61 (02) 9850 1928) of Department of Accounting and Corporate Governance, Macquarie University.

Participation in this study is entirely voluntary and you are not obliged to participate. If you decide to participate, you will be asked to complete the questions in the attached questionnaire. The questionnaire has four parts. Part one collects personal data of the participants. Part two comprises of three case studies and you are asked to provide your opinions about what an independent director should do in each scenario. Part three and four collects data about your cultural background and part five asks you about your recognition of the role of independent directors and challenges you are experiencing in your company as an independent director. The questionnaire should take approximately 25-35 minutes to complete. **Return of questionnaire will be regarded as consent to use the information for research purposes.**

As you participate in this study as an individual, you are not considered to be representative of your work, organization or institution. The information provided by you represents your personal views only and not the views of your workplace. No sensitive personal information will be collected. Any information or personal details gathered in the course of the study are confidential, except as required by law. Data is only accessed by the research team. No individual will be identified in any publication of the results. While a postcard is provided, the purpose of this is to inform me that you have completed the questionnaire, thereby preventing a follow up being sent. A summary of the results of the research can be made available to you on request via email or the postcard.

As an expression of my gratitude, for your participation in this survey I would like to offer you an opportunity to win one of two gift cards at Sofitel Metropole Hotel, subject to a lucky draw following the completion of the survey process.

If you have any issues relating to the questionnaire and/or ethical aspects of this study, please contact our local agent in Vietnam – CCRD Joint Stock Company (Email: ccrd.HN@gmail.com, Phone: (+844) 35682063/ Fax: (+844) 35682062)

Please answer all questions. Your response is very important for the research which will contribute to understanding the roles and challenges of independent directors in listed companies in Vietnam.

Thank you for your assistance

Yours sincerely,

Thi Tuyet Mai Nguyen

The ethical aspects of this study have been approved by the Macquarie University Human Research Ethics Committee. If you have any complaints or reservations about any ethical aspect of your participation in this research, you may contact the Committee through the Director, Research Ethics (telephone (02) 9850 7854; email ethics@mq.edu.au). Any complaint you make will be treated in confidence and investigated, and you will be informed of the outcome.

PART 1 - YOUR PERSONAL PROFILE

Please respond to the following questions so that a profile for respondents can be developed.

1.	Are you: ☐ Male ☐ Female
2.	Where were you born? ☐ In the north region (From Ha Giang to Hue) ☐ In the south region (From Hue to Ca Mau)
3.	How old are you? ☐ Under 30 ☐ 30-39 ☐ 40-49 ☐ 50-59 ☐ 60 or over
4.	What is your highest academic qualification? ☐ Bachelor ☐ Master ☐ PhD Other (Please specify):………………………
5.	Where did you spend most of your education (including Schools, Tertiary and Postgraduate)? ☐ In the north region ☐ In the south region
6.	Where are you living now? ☐ In the north region ☐ In the south region How long have you been living in the current region? ……………………………………
7.	In which region do you work most of the time? ☐ In the north region ☐ In the south region
8.	How many years have you been an independent director for a company? (Not necessarily your current company)………………………………………………
9.	What is your expertise? (you can tick more than 1 box if appropriate) ☐ In manufacturing industries ☐ Accounting and finance ☐ Law ☐ Other non- manufacturing industries
10.	How many boards are you a member of? ………………………………………………………
11.	For the following question, please answer in relation to the board in which you have the most involvement. Where is the company that you are currently an independent director located? ☐ In the north region ☐ In the south region
12.	For the following question, please answer in relation to the board in which you have the most involvement. What is the nature of the company in which you are an independent director? ☐ Manufacturing ☐ Non-manufacturing
13.	How many members are there on the board of directors? ☐ 5 ☐ 7 ☐ 9 ☐ 11 ☐ 13 Other: ………………………… The number of executive directors:……………………….. The number of non-executive directors:…………………… The number of independent directors:…………………………

PART 2 – CASE STUDY

Below are **three scenarios** that require you to consider the actions and attitudes of independent directors. After each scenario, **you are asked to respond to a series of statements that indicate the likelihood of your actions as an independent director.**

Case 1 – Round Cookies Company

As an illustration, imagine you have been elected as an independent director in Round Cookies Company, which runs a business in the confectionery industry (in particular, the company produces candy, biscuits, ice-cream, cake and so on). Also, assume you are working in another industry but not the confectionary industry.

As an expert in another sector, you are not very familiar with the nature of business in the confectionery industry (about supply chains, customers, production processes, production management or distribution systems). **After being nominated and voted to sit on the board of directors at Round Cookies Company, you need to collect some information about the nature of the company to understand its business. (Please write down the time you answer this question at the right hand bottom corner of this page). To do so, how likely is it that you will :**

	Extremely unlikely	Somewhat unlikely	Not sure	Somewhat likely	Extremely likely
Attempt to seek as much information about Round Cookies Company as possible from your business network since you believe in the credibility of the information received from your network.	**1**	**2**	**3**	**4**	**5**
Attempt to seek information from employees in Round Cookies Company to understand the nature of its business.	**1**	**2**	**3**	**4**	**5**
Request informal meetings with heads of departments and executive members to discuss Round Cookies Company's current situation.	**1**	**2**	**3**	**4**	**5**
Request a site visit to the factory and major departments of Round Cookies Company (such as finance department, sales and marketing department)	**1**	**2**	**3**	**4**	**5**
Wait until the first board of directors' meeting and try to gather information from documents and materials provided by Round Cookies company to board members	**1**	**2**	**3**	**4**	**5**

Please answer the following question:

1. How different is the case study with your actual position when you started your job as an independent director?

1 2 3 4 5 6 7 8 9 10

Not different Very different

Case 2 – Newday Company

As an illustration, imagine that you are an independent director on the board of directors in Newday Company. The board of directors is in the process of considering a Merger and Acquisition (M&A) proposal from executive members to merge with another company in Vietnam. Your access to information is equal to other board members. In the last meeting, the chairman concluded that the project appears to be profitable and feasible, and the board will approve this project soon. However, after carefully examining all project items, you find some uncertainties in the project plan such as revenue estimates and financial accessibility. **You are not so sure about the possibility that these uncertainties might occur, but if they happen, they may badly affect the profitability of this project. (Please circle the page number). In this situation, will you intend to have any action to express your opinion?**

☐ Yes ☐ No

If Yes, which of the following actions will you likely to take?

☐ Use your voting right to vote against the project

☐ Negotiate with other board members to consolidate your voting power against the project

☐ Attempt to have an informal meeting with executive members to ask more questions about the project

☐ Attempt to approach the chairman to discuss the project informally and request another meeting to reconsider the project. The final decision will be made by the chairman.

☐ Ask for an immediate board meeting via official communication channels to discuss more about the project

Please answer the following questions:

1. How different is the case study with your actual position when you do your job as an independent director?

1 2 3 4 5 6 7 8 9 10

Not different Very different

Case 3 – Rising Star Company

As an illustration, imagine you are attending a board meeting in Rising Star Company – a company in the communication industry. The board is considering a proposal whether to diversify its business to a new line of business. This new business is a vertical integration into the company's current business – which means Rising Star Company may own a distributor for its products. **As an independent director, you have your own view about the proposal with some concerns about the benefits of a new business line (Please write down the date you answer this question at the right hand bottom corner of this page). In the meeting, what is the likelihood that you will:**

	Extremely unlikely	Somewhat unlikely	Not sure	Somewhat likely	Extremely likely
Attend the meeting but do not participate in the discussion, listening only to the opinions of other directors	**1**	**2**	**3**	**4**	**5**
Participate in the discussion but allow the proposal to be formulated by other directors and leave the final decision to the board and executive members	**1**	**2**	**3**	**4**	**5**
Participate in the discussion and express your concerns about the proposal formulated by others through asking probing questions, but leave the final decision to the board and executive members	**1**	**2**	**3**	**4**	**5**
Participate in the discussion and express your concerns about the proposal formulated by others through asking probing questions with the intention of achieving a revision of the proposal	**1**	**2**	**3**	**4**	**5**
Participate in the discussion and directly contribute to the formulation of the proposal at the board meeting	**1**	**2**	**3**	**4**	**5**
Participate in the discussion and directly contribute to the formulation of the proposal both at the meeting and informally with other directors outside the meeting	**1**	**2**	**3**	**4**	**5**

Please answer the following questions:

1. How different is the case study with your actual position when you do your job as an independent director?

   1 2 3 4 5 6 7 8 9 10

   Not different ... Very different

PART 3

For each of the following statements, please indicate your level of agreement/disagreement by circling the relevant number (please circle one number in each line).

	Strongly disagree	Somewhat disagree	Not sure	Somewhat agree	Strongly agree
I consult my family before making an important decision.	11	2	3	4	5
It is important to consult senior colleagues and get their ideas before making a decision.	12	2	3	4	5
Even when I strongly disagree with my group members, I avoid an argument	13	2	3	4	5
I hate to disagree with others in my group	14	2	3	4	5
It is important to make a good impression on one's manager.	15	2	3	4	5
It is important to consider the needs of those who work above me	16	2	3	4	5
I sacrifice my self-interest for the benefit of my group	17	2	3	4	5
I have the feeling that my relationships with others are more important than my own accomplishments	18	2	3	4	5
To me, pleasure is spending time with my superiors.	19	2	3	4	5
I help acquaintances, even if it is inconvenient	10	2	3	4	5
I define myself as a competitive person	11	2	3	4	5
I enjoy working in situations involving competition with others.	12	2	3	4	5
Without competition, it is not possible to have a good society.	13	2	3	4	5
I consider myself as a unique person separate from others.	14	2	3	4	5
I enjoy being unique and different from others.	15	2	3	4	5
I see myself as "my own person".	16	2	3	4	5
I take responsibility for my own actions	17	2	3	4	5
It is important for me to act as an independent person.	18	2	3	4	5
Being able to take care of myself is a primary concern for me	19	2	3	4	5
I consult with my superior on work-related matters	120	2	3	4	5
I prefer to be self-reliant rather than depend on others.	121	2	3	4	5
It is my duty to take care of my family, even when I have to sacrifice what I want	122	2	3	4	5
When faced with a difficult personal problem, it is better to decide for myself, than follow the advice of others.	123	2	3	4	5

PART 4

For each of the following statements, please indicate the likelihood that you would engage in the described activity or behaviour if you were to find yourself in that situation (please circle one number in each line across).

	Extremely unlikely	Moderately unlikely	Somewhat unlikely	Not sure	Somewhat likely	Moderately likely	Extremely likely
Admitting that your tastes are different from those of a friend.	**1**	**2**	**3**	**4**	**5**	**6**	**7**
Betting a month's income on the outcome of a sporting event (For example a football match)	**2 1**	**2**	**3**	**4**	**5**	**6**	**7**
Investing 10% of your annual income in a moderate growth mutual fund	**13**	**2**	**3**	**4**	**5**	**6**	**7**
Drinking heavily at a social function	**14**	**2**	**3**	**4**	**5**	**6**	**7**
Disagreeing with an authority figure on a major issue	**15**	**2**	**3**	**4**	**5**	**6**	**7**
Betting a month's income at a high-stake poker game	**16**	**2**	**3**	**4**	**5**	**6**	**7**
Having an affair with a married man/woman	**17**	**2**	**3**	**4**	**5**	**6**	**7**
Passing off somebody else's work as your own	**18**	**2**	**3**	**4**	**5**	**6**	**7**
Investing 5% of your annual income in a very speculative stock	**19**	**2**	**3**	**4**	**5**	**6**	**7**
Revealing a friend's secret to someone else	**110**	**2**	**3**	**4**	**5**	**6**	**7**
Driving a car without wearing a seat belt	**111**	**2**	**3**	**4**	**5**	**6**	**7**
Investing 50% of your annual income in a new business venture	**12**	**2**	**3**	**4**	**5**	**6**	**7**
Taking a skydiving class	**13**	**2**	**3**	**4**	**5**	**6**	**7**
Riding a motorcycle without a helmet	**14**	**2**	**3**	**4**	**5**	**6**	**7**
Choosing a career that you truly enjoy over a more secure one	**15**	**2**	**3**	**4**	**5**	**6**	**7**
Speaking your mind about an unpopular issue in a meeting at work	**16**	**2**	**3**	**4**	**5**	**6**	**7**
Piloting a small plane	**17**	**2**	**3**	**4**	**5**	**6**	**7**
Moving to a city far away from your extended family	**18**	**2**	**3**	**4**	**5**	**6**	**7**
Starting a new career in your mid-thirties	**19**	**2**	**3**	**4**	**5**	**6**	**7**
Leaving your young children at home alone while running an errand	**120**	**2**	**3**	**4**	**5**	**6**	**7**
Not returning a wallet you found that contains $1000	**121**	**2**	**3**	**4**	**5**	**6**	**7**

PART 5

Section 1 - Indicate your agreement/disagreement with the following statements about the key responsibilities of independent directors:

	Strongly disagree	Somewhat disagree	Not sure	Somewhat agree	Strongly agree
Ensure robust risk management is in place	1	2	3	4	5
Satisfy themselves that financial information is accurate	1	2	3	4	5
Scrutinise management performance	1	2	3	4	5
Ensure strategic corporate decisions are reached through sound processes	1	2	3	4	5
Contribute to the development of company strategy	1	2	3	4	5
Play an active part in determining performance objectives/measures of the board	1	2	3	4	5
Play an active part in determining performance objectives/measures for the company	1	2	3	4	5
Play a key role in the setting of senior executive compensation	1	2	3	4	5
Comment on the attainment of the performance objectives for the company	1	2	3	4	5
Identify issues that require more of management's attention	1	2	3	4	5
Provide an independent "check" on corporate control	1	2	3	4	5
Contribute to the development of internal performance measures	1	2	3	4	5
Play an active part in determining social responsibility performance objectives/ measures of the company	1	2	3	4	5
Be accessible to company managers to advise of untoward matters	1	2	3	4	5
Play an active part in ensuring the company meets its social responsibility objectives/ measures	1	2	3	4	5
Be a spokesperson to support specific corporate policies before the public and government	1	2	3	4	5

Section 2 - In your opinion, over which of the following actions do independent directors have power:

(Please tick the appropriate options)

- ☐ Influence company strategy
- ☐ Control executive directors' compensation
- ☐ Change professional advisors
- ☐ Change under-performing executives
- ☐ Communicate with shareholders directly

Section 3 - Indicate your agreement/disagreement with the following statements about the Board interactions:

	Strongly disagree	Somewhat disagree	Not sure	Somewhat agree	Strongly agree
I feel I have a reasonable understanding of the board's role	1	2	3	4	5
I feel able to speak up on issues when I disagree with the CEO	1	2	3	4	5
I feel able to speak up on issues when I disagree with the chairperson	1	2	3	4	5
Board members have an open and honest working relationship	1	2	3	4	5
The CEO is prepared to share information with the independent directors	1	2	3	4	5
The chairperson welcomes my contribution	1	2	3	4	5
Effective communication exists between the chairperson and other board members	1	2	3	4	5

Section 4 - In your opinion, to what extent should an independent director contribute to each of the following activities?

	To no extent	To a small extent	To some extent	To a great extent	To a very great extent
To ask questions and challenge actions and decisions	1	2	3	4	5
To protect shareholder/ investor interest	1	2	3	4	5
To protect the interest of controlling shareholders	1	2	3	4	5
To develop company strategies	1	2	3	4	5
To provide new ideas/ insights	1	2	3	4	5
To monitor performance of the board/ other directors	1	2	3	4	5
To monitor performance/ remuneration of managers	1	2	3	4	5
To monitor the quality of published financial reports	1	2	3	4	5

Section 5 - Questions about your access to resources:

1.Please indicate the company resources to which you have access as an independent director.
☐ Published documents ☐ Strategic documents (Company charter, regulations, meeting minutes…)
☐ Private information ☐ Others (please specify): …….

2.Do you think you receive sufficient resources to support your activities on the board?
☐ Too many ☐ Sufficient ☐ Too little

3.Do you think you receive the right/ relevant resources to support your activities on the board?
☐ Yes ☐ No

4.What types of information are you receiving from the company as an independent directors?
☐ Strategic information ☐ Forecast information ☐ Business analysis
☐ Detailed historic financial information

5.What types of information do you like to receive more?
☐ Strategic information ☐ Forecast information ☐ Business analysis
☐ Detailed historic financial information

6.What types of information do you like to receive less?
☐ Strategic information ☐ Forecast information ☐ Business analysis
☐ Detailed historic financial information

7.Are you able to check the validity of information provided to you?
☐ Yes ☐ No

Section 6 - In your opinion, how important are these sources of information for independent directors?

	No importance	Very low importance	Low importance	High importance	Very high importance
Strategy-away days	1	2	3	4	5
Meeting with heads of business units	1	2	3	4	5
Visits to operational areas	1	2	3	4	5
Informal meetings with board members	1	2	3	4	5
Participation in company events	1	2	3	4	5

Formal board meetings documents	**1**	**2**	**3**	**4**	**5**
Published financial reports	**1**	**2**	**3**	**4**	**5**

Section 7 - Do you receive the following types of remuneration for being an independent director?

- ☐ An annual fee
- ☐ A fee for chair of committees
- ☐ Shares
- ☐ A meeting attendance fee
- ☐ Share options

Section 8 - Impact of controlling shareholders:

Who is the controlling shareholder in your company? ☐ The State ☐ Private shareholders
How many directors controlled by controlling shareholder are there in the current board? ……………………………………
Is the chairperson appointed by the controlling shareholder? ☐ Yes ☐ No
Is the chairperson controlled by the controlling shareholder? ☐ Yes ☐ No
Is the CEO appointed by the controlling shareholder? ☐ Yes ☐ No
Is the CEO controlled by the controlling shareholder? ☐ Yes ☐ No
Were you nominated and supported by: ☐ The controlling shareholder ☐ A minority shareholder with close relationship with controlling shareholder ☐ A minority shareholder who has no relationship with the controlling shareholder
In your opinion, does the controlling shareholder have dominant power to influence the company's strategic decisions? ☐ Yes ☐ No
In what way do you think the controlling shareholder dominates the board? (you can tick more than one box if necessary) ☐ By having directors controlled by them comprise more than half of the board ☐ By having a director controlled by them as the chairperson ☐ By having a member controlled by them as an executive ☐ By nominating independent directors in the board
Do you think that by being nominated and voted for by the controlling shareholders, you should support them in the board? ☐ Yes ☐ No
Have you ever voted against controlling shareholders' opinions in the board? ☐ Yes ☐ No
Have you ever voted against majority shareholders opinions in the board? ☐ Yes ☐ No
Have you ever voted against your own opinion when considering a proposal? (You think you should say 'No' but in fact you say 'Yes') ☐ Yes ☐ No
In your opinion, what type of independent director are you in the board? ☐ Decorative directors ☐ Counsellor ☐ Monitor of the board's behaviour and management

Section 9 - Indicate your agreement/ disagreement on the existence of following barriers to independent directors having more effect on the board

	Strongly disagree	Somewhat disagree	Not sure	Somewhat agree	Strongly agree
Too many rules/ red tape due to corporate governance reforms	**1**	**2**	**3**	**4**	**5**
Lack of detailed guidelines on the duties/ responsibilities of independent directors in “Corporate governance rules for listed companies”	**1**	**2**	**3**	**4**	**5**
Lack of adequate training provided by SEC to support independent directors to understand their roles in corporate governance system	**1**	**2**	**3**	**4**	**5**
Lack of knowledge/ understanding of the company	**1**	**2**	**3**	**4**	**5**
Lack of information for informed decision-making	**1**	**2**	**3**	**4**	**5**
Personal faults/ lack of ability	**1**	**2**	**3**	**4**	**5**
Lack of involvement in company (for example: only being available for board meetings)	**1**	**2**	**3**	**4**	**5**
Executive directors holding back information	**1**	**2**	**3**	**4**	**5**
Lack of commitment	**1**	**2**	**3**	**4**	**5**
Too many responsibilities elsewhere	**1**	**2**	**3**	**4**	**5**
Insufficient remuneration to motive/recruit	**1**	**2**	**3**	**4**	**5**
Been in the position for too long/ lack of fresh ideas	**1**	**2**	**3**	**4**	**5**
Lack of time	**1**	**2**	**3**	**4**	**5**

Thank you for taking the time to complete this survey. Your assistance is very much appreciated.

Please make sure that you have <u>answered every question</u>. Missing questions will mean that none of your responses can be used.

Thi Tuyet Mai Nguyen

Department of Accounting and Corporate Governance

Faculty of Business and Economics

APPENDIX 2
SURVEY INSTRUMENT – VIETNAMESE VERSION

BẢN THÔNG TIN THAM GIA KHẢO SÁT

Đề tài: Đánh giá vai trò và thách thức đối với thành viên độc lập trong quản trị doanh nghiệp của nền kinh tế chuyển đổi – nghiên cứu tại Việt Nam

Giáo viên hướng dẫn: PGS.TS Elaine Evans và TS Meiting Lu

Chúng tôi kính mời Anh/Chị tham gia một nghiên cứu về thành viên độc lập tại công ty niêm yết ở Việt Nam. Mục đích của nghiên cứu này là để tìm hiểu về cách thức thành viên độc lập đảm nhiệm vai trò của mình trong HĐQT, cũng như tìm hiểu về những thách thức đặt ra cho họ. Ngoài ra, nghiên cứu còn tìm hiểu ảnh hưởng của khác biệt văn hóa giữa 2 miền Nam – Bắc tới sự tham gia quản trị doanh nghiệp của các thành viên độc lập.

Nghiên cứu được thực hiện bởi Nguyễn Thị Tuyết Mai, nghiên cứu sinh tại Bộ môn Kế toán và Quản trị doanh nghiệp, Đại học Macquarie, Sydney, Australia (Email: thi-tuyet-mai.nguyen1@students.mq.edu.au; Điện thoại: +61 424324065); nghiên cứu này là một phần trong luận án Tiến sỹ dưới sự hướng dẫn của PGS.TS. Elaine Evans (Elaine.evans@mq.edu.au; điện thoại: +61 (0) 2 9850 6477) và TS. Meiting Lu (meiting.lu@mq.edu.au; điện thoại: +61 (0) 2 9850 1928).

Việc tham gia cuộc khảo sát là hoàn toàn tự nguyện và Anh/Chị không bắt buộc phải tham gia. Nếu Anh/Chị quyết định tham gia, Anh/Chị sẽ trả lời các câu hỏi trong phiếu khảo sát đính kèm. Phiếu câu hỏi có 5 phần: Phần một gồm các câu hỏi về một số thông tin cá nhân, phần 2 là 3 tình huống nghiên cứu và Anh/Chị sẽ được yêu cầu đưa ra đánh giá cá nhân về từng tình huống cụ thể với tư cách là một thành viên độc lập. Phần 3 và phần 4 thu thập một số thông tin về nét văn hóa cá nhân của Anh/Chị. Phần thứ 5 – phần cuối cùng hỏi về một số vấn đề liên quan đến vai trò và thách thức đối với thành viên độc lập tại Việt Nam. Phiếu khảo sát cần khoảng 25-35 phút để hoàn thành**. Việc hoàn thành phiếu khảo sát được coi là sự đồng ý của Anh/Chị tham gia vào nghiên cứu này**.

Anh/Chị sẽ tham gia cuộc khảo sát với tư cách cá nhân, không phải đại diện của bất kì tổ chức nào. Thông tin Anh/Chị cung cấp đại diện cho quan điểm của riêng Anh/Chị và không liên quan tới các công ty, tổ chức Anh/Chị đang làm việc. Không có thông tin cá nhân đặc biệt nhạy cảm nào được yêu cầu trong phiếu khảo sát. Tất cả thông tin cá nhân của Anh/Chị sẽ được bảo mật, trừ khi có yêu cầu của luật pháp. Dữ liệu chỉ được tiếp cận bởi nhóm nghiên cứu. Không có bất kì thông tin cá nhân nào được đưa vào các bài viết nghiên cứu hoặc các báo cáo có liên quan. Việc cung cấp bưu thiếp chỉ nhằm mục đích theo dõi Anh/Chị đã tham gia khảo sát hay chưa để nhóm nghiên cứu có thể gửi các phiếu điều tra cho Anh/Chị. Các kết quả nghiên cứu sẽ được chuyển đến Anh/Chị thông qua email theo yêu cầu.

Để cảm ơn sự tham gia của Anh/Chị trong nghiên cứu này, chúng tôi sẽ có 2 phiếu quà tặng sử dụng dịch vụ tại khách sạn Sofitel Metropole cho hai Anh/Chị, theo kết quả bốc thăm may mắn sau khi hoàn thành cuộc khảo sát.

Nếu Anh/Chị có bất kì câu hỏi gì liên quan đến các vấn đề đạo đức trong nghiên cứu, kính mời liên lạc với đại diện của nhóm nghiên cứu tại Việt Nam: Công ty CCRD (Email: ccrd.HN@gmail.com, ĐT: (+844) 35682063/ Fax: (+844) 35682062).

Kính mong Anh/Chị trả lời toàn bộ câu hỏi. Câu trả lời của Anh/Chị là cơ sở cho nghiên cứu này nhằm hiểu rõ hơn vai trò và thách thức đối với thành viên độc lập tại các công ty niêm yết của Việt Nam.

Chân thành cảm ơn sự hợp tác của Anh/Chị

Kính thư,

Thi Tuyet Mai Nguyen

Các vấn đề đạo đức trong nghiên cứu này đã được phê duyệt bởi Hội đồng phê duyệt đạo đức nghiên cứu của Đại học Macquarie. Nếu Anh/Chị có bất kì vấn đề gì liên quan đến đạo đức nghiên cứu trong nghiên cứu này, Anh/Chị có thể liên hệ Hội đồng thông qua Giám đốc Hội đồng (Điện thoại: (02) 9850 7854; email ethics@mq.edu.au). Ý kiến của Anh/Chị sẽ được bảo mật và là cơ sở để kiểm tra và Anh/Chị sẽ được thông báo về kết quả cuối cùng về các vấn đề được nêu trong góp ý của Anh/Chị

PHẦN 1 – THÔNG TIN CÁ NHÂN

Xin Anh/Chị vui lòng trả lời các câu hỏi sau:

1.	Xin vui lòng cho biết, Anh/Chị là: ☐Nam ☐ Nữ
2.	Anh/ Chị sinh ra tại: ☐Miền Bắc Việt Nam (Từ Hà Giang đến Huế) ☐ Miền Nam Việt Nam (Từ Huế đến Cà Mau)
3.	Anh/ Chị vui lòng cho biết, Anh/Chị thuộc độ tuổi nào? ☐ Dưới30 ☐ 30-39 ☐ 40-49 ☐50-59 ☐trên 60 tuổi
4.	Học vị cao nhất của Anh/Chị là: ☐ Cử nhân ☐ Thạc sỹ ☐Tiến sỹ Khác (Vui lòng ghi rõ): ………………………
5.	Anh/Chị dành phần lớn thời gian học cấp phổ thông, đại học và sau Đại học ở đâu? (Không tính thời gian học tập tại nước ngoài, nếu có) ☐Miền Bắc Việt Nam ☐ Miền Nam Việt Nam
6.	Anh/ Chị đang sinh sống ở đâu tại Việt Nam? ☐Miền Bắc Việt Nam ☐Miền Nam Việt Nam Anh/Chị đã sinh sống ở đây bao nhiêu lâu? ……………………………………
7.	Anh/ Chị làm việc chủ yếu ở đâu? ☐ Miền Bắc Việt Nam ☐ Miền Nam Việt Nam
8.	Anh/ Chị đã là thành viên độc lập tại một công ty niêm yết được bao nhiêu năm (Tính cả thời gian làm tại các công ty khác nếu có)? ……………………………………………….
9.	Lĩnh vực chuyên môn chủ yếu của Anh/ Chị (Anh/Chị có thể có nhiều hơn 1 lựa chọn)? ☐Các ngành sản xuất ☐Kế toán, tài chính ☐Luật ☐Các ngành phi sản xuất khác
10.	Anh/Chị hiện nay là thành viên HĐQT tại bao nhiêu công ty? ………………………………………
11.	Anh/Chị trả lời câu hỏi sau theo thông tin của công ty Anh/Chị tham gia làm thành viên HĐQT lâu nhất. Anh/ Chị hiện đang là thành viên độc lập cho một công ty có trụ sở chính tại: ☐ Miền Bắc Việt Nam ☐ Miền Nam Việt Nam
12.	Anh/Chị trả lời câu hỏi sau theo thông tin của công ty Anh/Chị tham gia làm thành viên HĐQT lâu nhất. Ngành nghề hoạt động chính của công ty mà Anh/ Chị đang là thành viên độc lập? ☐Sản xuất ☐ Phi sản xuất
13.	HĐQT của công ty Anh/Chị có bao nhiêu thành viên? ☐ 5 ☐ 7 ☐ 9 ☐ 11 ☐ 13 Khác: …………………. Số lượng thành viên điều hành: ……………………….. Số lượng thành viên không điều hành: …………………… Số lượng thành viên độc lập: ……………………

PHẦN 2 – CÂU HỎI TÌNH HUỐNG

Dưới đây là **ba tình huống** yêu cầu thành viên độc lập trong HĐQT cân nhắc và đưa ra quyết định để giải quyết vấn đề. Sau mỗi tình huống, **đề nghị Anh/Chị, với tư cách là thành viên độc lập, cho biết nhận định của mình trong số các lựa chọn mô tả hành động/ ý kiến được đưa ra.**

Tình huống 1 – Công ty Round Cookies

Hãy giả định Anh/Chị được lựa chọn tham gia HĐQT của công ty Round Cookies với tư cách thành viên độc lập. Công ty Round Cookies hoạt động trong ngành chế biến thực phẩm (cụ thể: công ty sản xuất bánh kẹo, kem, bánh ngọt và các sản phẩm tương tự). Anh/Chị (giả định rằng) hiện đang làm việc tại các công ty ngoài ngành chế biến thực phẩm.

Là một chuyên gia trong lĩnh vực khác ngoài chế biến thực phẩm, Anh/Chị không nắm rõ về hoạt động sản xuất kinh doanh đặc thù của công ty Round Cookies (ví dụ: hệ thống phân phối, nhà cung cấp, quy trình sản xuất, quản lí sản xuất…). **Sau khi được đề cử và lựa chọn tham gia HĐQT của công ty, Anh/Chị muốn tìm hiểu thông tin về hoạt động sản xuất kinh doanh của công ty để có thể tham gia được nhiều hơn vào hoạt động quản trị doanh nghiệp. Để thu thập được thông tin, Anh/Chị sẽ:**

	Không có khả năng	Ít có khả năng	Không chắc chắn	Có khả năng	Nhiều khả năng
Tìm kiếm thông tin về công ty Round Cookies từ các mối quan hệ kinh doanh của Anh/Chị vì Anh/Chị tin tưởng rằng thông tin lấy từ quan hệ cá nhân là chính xác và phù hợp	**1**	**2**	**3**	**4**	**5**
Tìm kiếm thông tin từ những nhân viên của Round Cookies để hiểu về hoạt động kinh doanh của công ty	**1**	**2**	**3**	**4**	**5**
Yêu cầu được tham gia các buổi gặp gỡ không chính thức với trưởng các phòng ban và ban điều hành của Round Cookies để có thông tin.	**1**	**2**	**3**	**4**	**5**
Yêu cầu được trực tiếp đến nơi sản xuất và văn phòng của công ty để gặp gỡ cán bộ công nhân viên và lãnh đạo công ty nhằm thu thập thông tin	**1**	**2**	**3**	**4**	**5**
Chủ yếu dựa vào thông tin trong các văn bản và tài liệu được cung cấp cho thành viên HĐQT từ công ty Round Cookies trong các cuộc họp HĐQT	**1**	**2**	**3**	**4**	**5**

(Anh/Chị vui lòng ghi rõ thời gian Anh/Chị trả lời câu hỏi này vào góc phía dưới bên phải).

Xin Anh/Chị vui lòng trả lời câu hỏi sau:

2. Anh/Chị vui lòng cho biết tình huống này có tương tự như những tình huống thực tế xảy ra tại công ty mà các Anh/Chị đang làm thành viên độc lập không?

1 2 3 4 5 6 7 8 9 10

Hoàn toàn tương tự Rất khác biệt

Tình huống 2 – Công ty New Day

Giả định rằng Anh/Chị là thành viên độc lập trong HĐQT của công ty New Day. HĐQT của công ty đang xem xét và thẩm định một dự án sát nhập (Merger and Acquisition – M&A) được trình lên bởi Ban điều hành để sát nhập với một công ty khác tại Việt Nam. Tất cả thành viên HĐQT đều được cung cấp thông tin tương tự nhau. Trong cuộc họp trước đó, chủ tịch HĐQT đã kết luận dự án khả thi, có thể đem lại lợi nhuận cho doanh nghiệp và dự kiến HĐQT sẽ thông qua dự án trong cuộc họp tiếp theo. Tuy nhiên, sau khi xem xét lại toàn bộ dự án, Anh/Chị phát hiện một số rủi ro có thể ảnh hưởng tới lợi nhuận hay khả năng huy động tài chính cho dự án. **Anh/Chị không chắc chắn khả năng xảy ra các rủi ro đó nhưng nếu rủi ro xảy ra, lợi nhuận của dự án sẽ bị ảnh hưởng rất lớn. (Xin Anh/Chị vui lòng khoanh tròn số trang ở phía dưới). Trong trường hợp này, Anh/Chị có ý định sẽ nêu ý kiến của mình trong cuộc họp sắp tới của HĐQT không?**

☐ Có ☐ Không

Nếu có, Anh/Chị sẽ làm như thế nào?

- ☐ Sử dụng quyền biểu quyết của mình để chống lại việc thông qua dự án
- ☐ Trao đổi và thuyết phục các thành viên khác cũng bỏ phiếu để chống lại việc thông qua dự án
- ☐ Có một cuộc họp không chính thức với Ban điều hành để hỏi thêm thông tin về dự án và xác nhận các rủi ro Anh/Chị đã phát hiện
- ☐ Có một cuộc họp không chính thức với Chủ tịch HĐQT để trao đổi thêm về dự án và đề xuất một cuộc họp HĐQT để xem xét lại dự án. Tuy nhiên, quyền quyết định về việc họp HĐQT hoàn toàn do chủ tịch HĐQT quyết định
- ☐ Ngay lập tức yêu cầu một cuộc họp HĐQT chính thức để thẩm định thêm về dự án.

Xin Anh/Chị vui lòng trả lời câu hỏi sau:

1. Anh/Chị vui lòng cho biết tình huống này có tương tự như những tình huống thực tế xảy ra tại công ty mà các Anh/Chị đang làm thành viên độc lập không?

1 2 3 4 5 6 7 8 9 10

Hoàn toàn tương tự Rất khác biệt

Tình huống 3 – Công ty Rising Star

Giả định rằng Anh/Chị đang tham gia một cuộc họp HĐQT tại công ty Rising Star – Một công ty hoạt động trong lĩnh vực truyền thông. HĐQT đang cân nhắc đề xuất mở rộng hoạt động kinh doanh của công ty sang một lĩnh vực mới. Hoạt động kinh doanh mới là một liên kết dọc với hoạt động kinh doanh hiện tại của công ty, có nghĩa là Rising Star sẽ sở hữu một doanh nghiệp đang là nhà phân phối cho sản phẩm của mình. **Với tư cách là thành viên độc lập, Anh/Chị có nhận định riêng về đề xuất này trong đó Anh/Chị phân vân về lợi ích mà hoạt động kinh doanh mới đem lại. Trong cuộc họp HĐQT, Anh/Chị hãy cho biết khả năng Anh/Chị có thể có những hành động sau:**

	Không bao giờ	Ít khả năng xảy ra	Không chắc chắn	Có khả năng xảy ra	Chắc chắn xảy ra
Tham dự cuộc họp HĐQT nhưng không tham gia thảo luận trong cuộc họp, chỉ nghe ý kiến của các thành viên HĐQT khác.	1	2	3	4	5
Tham gia cuộc thảo luận nhưng việc xây dựng đề án là do Ban điều hành thực hiện và việc quyết định thông qua dự án là do Chủ tịch HĐQT và Ban điều hành	1	2	3	4	5
Tham gia cuộc thảo luận và nêu ra các nghi vấn của Anh/Chị đối với dự án bằng cách trao đổi trực tiếp với Ban điều hành, nhưng việc quyết định thông qua dự án là do Chủ tịch HĐQT và Ban điều hành	1	2	3	4	5
Tham gia cuộc thảo luận và nêu ra các nghi vấn của Anh/Chị đối với dự án bằng trao đổi trực tiếp với Ban điều hành với mục đích yêu cầu HĐQT và Ban điều hành xem xét lại dự án.	1	2	3	4	5
Tham gia cuộc thảo luận và trực tiếp tham gia vào việc xây dựng dự án tại các cuộc họp của HĐQT	1	2	3	4	5
Tham gia cuộc thảo luận và trực tiếp tham gia vào việc xây dựng dự án cả trong cuộc họp của HĐQT và các buổi gặp ngoài cuộc họp HĐQT.	1	2	3	4	5

(Xin Anh/Chị vui lòng ghi ngày tháng Anh/Chị tham gia khảo sát vào góc bên phải phía dưới của trang)

Xin Anh/Chị vui lòng trả lời câu hỏi sau:

1. Anh/Chị vui lòng cho biết tình huống này có tương tự như những tình huống thực tế xảy ra tại công ty mà các Anh/Chị đang làm thành viên độc lập không?

1 2 3 4 5 6 7 8 9 10

Hoàn toàn tương tự Rất khác biệt

PHẦN 3

Anh/ Chị hãy cho biết cá nhân Anh/Chị có đồng ý với những nhận định sau không?

	Hoàn toàn không đồng ý	Có phần không đồng ý	Không chắc chắn	Đồng ý một phần	Hoàn toàn đồng ý
Tôi luôn tham khảo ý kiến của gia đình trước khi quyết định một vấn đề cá nhân hệ trọng	1	2	3	4	5
Trước khi ra quyết định, tôi luôn tham khảo ý kiến của lãnh đạo cấp trên	1	2	3	4	5
Ngay cả khi tôi bất đồng ý kiến với các thành viên khác trong nhóm, tôi luôn tránh tranh cãi với đồng nghiệp	1	2	3	4	5
Tôi không thích có bất đồng ý kiến với các thành viên khác trong nhóm	1	2	3	4	5
Gây ấn tượng tốt với cấp trên/ Giám đốc là rất quan trọng	1	2	3	4	5
Tôi nghĩ nên lưu ý tới nhu cầu của cấp trên khi làm việc	1	2	3	4	5
Tôi sẵn sàng hi sinh lợi ích cá nhân cho lợi ích tập thể	1	2	3	4	5
Tôi cho rằng mối quan hệ với đồng nghiệp và bạn bè quan trọng hơn thành tích cá nhân	1	2	3	4	5
Đối với tôi, thư giãn là khi có thời gian dành cho người thân và bạn bè	1	2	3	4	5
Tôi luôn cố gắng giúp đỡ đồng nghiệp ngay cả khi việc giúp đỡ đó có thể gây phiền toái	1	2	3	4	5
Tôi cho rằng tôi là một người có tính cạnh tranh cao	1	2	3	4	5
Tôi thích một môi trường làm việc có tính cạnh tranh giữa các đồng nghiệp với nhau	1	2	3	4	5
Nếu không có cạnh tranh thì không thể có một xã hội tiến bộ	1	2	3	4	5
Tôi coi bản thân tôi là sự khác biệt, độc lập hoàn toàn với người khác	1	2	3	4	5
Tôi muốn trở nên khác biệt và đặc biệt so với người xung quanh	1	2	3	4	5
Tôi coi bản thân tôi là "cá nhân độc lập"	1	2	3	4	5
Tôi chịu trách nhiệm cho mọi hành vi của cá nhân tôi	1	2	3	4	5
Đối với tôi, hành động một cách độc lập là rất quan trọng	1	2	3	4	5
Mối quan tâm hàng đầu của tôi là có thể đảm bảo các nhu cầu cơ bản của chính tôi	1	2	3	4	5
Tôi luôn tham khảo ý kiến cấp trên để giải quyết các vấn đề liên quan đến công việc	1	2	3	4	5
Tôi thích được độc lập trong hành động hơn là phụ thuộc vào người xung quanh	1	2	3	4	5
Trách nhiêm của tôi là phải chăm lo cho gia đình, ngay cả khi phải hi sinh các mong muốn cá nhân	1	2	3	4	5
Khi tôi phải đối mặt với các vấn đề cá nhân, tôi thích tự mình giải quyết hơn là làm theo lời khuyên của ai đó	1	2	3	4	5

PHẦN 4

Anh/chị hãy cho biết khả năng Anh/Chị sẽ có hành động TƯƠNG TỰ trong những trường hợp cụ thể sau?

	Không bao giờ	Ít khả năng xảy ra	Khả năng xảy ra không lớn	Không chắc chắn	Có khả năng xảy ra	Có thể xảy ra	Chắc chắn xảy ra
Chi trả toàn bộ thu nhập trong tháng để đánh cược cho một trận đấu bóng đá ưa thích	1	2	3	4	5	6	7
Đầu tư 10% thu nhập hàng năm vào một quỹ đầu tư có mức tăng trưởng trung bình	1	2	3	4	5	6	7
Uống khá nhiều rượu/bia trong một buổi tiệc xã giao	1	2	3	4	5	6	7
Không đồng ý với cơ quan chức năng trong một số vấn đề quan trọng liên quan đến cá nhân và công việc	1	2	3	4	5	6	7
Có mối quan hệ tình cảm thân mật với người đã có gia đình	1	2	3	4	5	6	7
Tự công nhận thành quả của người khác là của bản thân mình	1	2	3	4	5	6	7
Đầu tư 5% thu nhập hàng năm vào một mã chứng khoán mang tính đầu cơ	1	2	3	4	5	6	7
Tiết lộ bí mật cá nhân của một người bạn cho người khác	1	2	3	4	5	6	7
Lái xe mà không thắt dây an toàn	1	2	3	4	5	6	7
Đầu tư 50% thu nhập hàng năm vào một dự án kinh doanh mới	1	2	3	4	5	6	7
Tham dự một lớp học nhảy dù	1	2	3	4	5	6	7
Lái xe moto phân khối lớn mà không đội mũ bảo hiểm	1	2	3	4	5	6	7
Chọn một công việc bạn thực sự yêu thích chứ không chọn công việc có tính an toàn và thu nhập ổn định hơn	1	2	3	4	5	6	7
Phát biểu ý kiến cá nhân về một vấn đề không thực sự được quan tâm trong một cuộc họp tại cơ quan	1	2	3	4	5	6	7
Lái một máy bay cỡ nhỏ	1	2	3	4	5	6	7
Chuyển đến một thành phố xa gia đình để làm việc	1	2	3	4	5	6	7
Bắt đầu một công việc mới khi bạn đã gần 40 tuổi	1	2	3	4	5	6	7
Để con nhỏ ở nhà một mình khi bạn phải tham gia một cuộc họp xa nhà.	1	2	3	4	5	6	7
Không trả lại chiếc ví mà bạn nhặt được trong đó có khoảng 20 triệu đồng	1	2	3	4	5	6	7

PHẦN 5

1. **Theo Anh/Chị, trách nhiệm cơ bản của thành viên độc lập trong hội đồng quản trị bao gồm**

	Hoàn toàn không đồng ý	Không đồng ý một phần	Không có ý kiến	Đồng ý một phần	Hoàn toàn đồng ý
Đảm bảo một hệ thống kiểm soát rủi ro an toàn trong doanh nghiệp	1	2	3	4	5
Đảm bảo sự chính xác của thông tin tài chính	1	2	3	4	5
Giám sát chặt chẽ hoạt động của ban điều hành	1	2	3	4	5
Đảm bảo các quyết định chiến lược của doanh nghiệp được xây dựng thông qua một quy trình chuẩn	1	2	3	4	5
Đóng góp vào quá trình phát triển chiến lược của doanh nghiệp	1	2	3	4	5
Đóng vai trò tích cực trong việc xác định mục tiêu và xây dựng cách thức đánh giá hoạt động của HĐQT	1	2	3	4	5
Đóng vai trò tích cực trong việc xác định mục tiêu/ cách thức đánh giá hoạt động của công ty	1	2	3	4	5
Đóng vai trò chính trong việc xây dựng chế độ lương thưởng cho ban điều hành	1	2	3	4	5
Góp ý trong quá trình xây dựng và đánh giá mục tiêu hoạt động của doanh nghiệp	1	2	3	4	5
Phát hiện các vấn đề cần được Ban điều hành tập trung xử lí	1	2	3	4	5
Thực hiện việc kiểm tra độc lập đối với hệ thống kiểm soát doanh nghiệp	1	2	3	4	5
Đóng góp vào quá trình xây dựng hệ thống đánh giá hoạt động nội bộ	1	2	3	4	5
Đóng vai trò tích cực trong việc xác định mục tiêu/ các đánh giá hoạt động vì trách nhiệm xã hội của công ty	1	2	3	4	5
Sẵn sàng hỗ trợ ban điều hành doanh nghiệp trong các rủi ro bất thường	1	2	3	4	5
Đóng vai trò tích cực trong việc đảm bảo doanh nghiệp thực hiện được các mục tiêu về trách nhiệm xã hội	1	2	3	4	5
Là người phát ngôn của DN trước công chúng và chính phủ để hỗ trợ một vài chính sách đặc thù	1	2	3	4	5

2. **Theo anh/ chị, thành viên độc lập có quyền trong những hoạt động nào sau đây?**

- ☐ Tác động tới chiến lược của doanh nghiệp
- ☐ Kiểm soát chế độ lương/ thưởng của ban điều hành
- ☐ Thay đổi Ban tư vấn cho doanh nghiệp
- ☐ Thay đổi ban điều hành hoạt động không hiệu quả
- ☐ Trao đổi trực tiếp với cổ đông

3. Anh/Chị có đánh giá như thế nào với những nhận định sau về sự tương tác giữa các thành viên HĐQT không?

	Hoàn toàn không đồng ý	**Không đồng ý một phần**	**Không có ý kiến**	**Đồng ý một phần**	**Hoàn toàn đồng ý**
Tôi nghĩ là tôi hiểu tương đối rõ về vai trò của HĐQT	**1**	**2**	**3**	**4**	**5**
Tôi nghĩ là tôi có thể trao đổi với Tổng GĐ khi có bất đồng về một vấn đề nào đó	**1**	**2**	**3**	**4**	**5**
Tôi nghĩ tôi có thể trao đổi với chủ tịch HĐQT khi có bất đồng về một vấn đề nào đó	**1**	**2**	**3**	**4**	**5**
Các thành viên HĐQT có mối quan hệ công việc cởi mở và trung thực	**1**	**2**	**3**	**4**	**5**
TGĐ sẵn sàng chia sẻ thông tin với thành viên độc lập	**1**	**2**	**3**	**4**	**5**
Chủ tịch HĐQT sẵn sàng lắng nghe ý kiến đóng góp của tôi	**1**	**2**	**3**	**4**	**5**
Chủ tịch HĐQT và thành viên HĐQT có sự tương tác hiệu quả với nhau	**1**	**2**	**3**	**4**	**5**

4. Theo ý kiến Anh/Chị, thành viên độc lập đóng góp ở mức độ nào trong các hoạt động sau?

Hoạt động	**Không có đóng góp**	**Mức độ rất thấp**	**Mức độ thấp**	**Mức độ cao**	**Mức độ rất cao**
Đặt câu hỏi để kiểm tra các quyết định của ban điều hành	**1**	**2**	**3**	**4**	**5**
Bảo vệ lợi ích cổ đông/ nhà đầu tư	**1**	**2**	**3**	**4**	**5**
Bảo vệ lợi ích của cổ đông lớn	**1**	**2**	**3**	**4**	**5**
Xây dựng chiến lược cho doanh nghiệp	**1**	**2**	**3**	**4**	**5**
Đóng góp ý tưởng xây dựng doanh nghiệp	**1**	**2**	**3**	**4**	**5**
Giám sát hoạt động của HĐQT/ các thành viên HĐQT khác	**1**	**2**	**3**	**4**	**5**
Giám sát hoạt động/ chế độ lương thưởng của ban ĐH	**1**	**2**	**3**	**4**	**5**
Giám sát chất lượng của báo cáo tài chính được công bố	**1**	**2**	**3**	**4**	**5**

5. Tiếp cận các nguồn lực của doanh nghiệp để hỗ trợ hoạt động của thành viên độc lập

1.Là một thành viên độc lập, Anh/Chị được tiếp cận những nguồn lực nào sau đây? ☐ Các thông tin được công bố ☐ Các tài liệu chiến lược của DN ☐ Các thông tin nội bộ của DN ☐ Các hoạt động/ event của doanh nghiệp ☐Khác (Vui lòng ghi rõ): …………………………..
2.Anh/ Chị có cho rằng, khi là thành viên độc lập, anh/chị có thể tiếp cận đủ các nguồn lực để hỗ trợ hoạt động của mình trong HĐQT ☐ **Quá nhiều** ☐ **Vừa đủ** ☐ **Quá ít**
3.Anh/ Chị có cho rằng, khi là thành viên độc lập, mình được tiếp cận đúng nguồn lực để hỗ trợ hoạt động của mình trong HĐQT? ☐ Có ☐ Không
4. Là thành viên độc lập, Anh/Chị nhận được những nhóm thông tin nào từ doanh nghiệp? ☐ Thông tin chiến lược ☐ Thông tin dự báo ☐ Phân tích HĐ kinh doanh ☐ Thông tin chi tiết về hoạt động tài chính trong những năm trước của DN
5.Anh/Chị mong muốn nhận được thêm thông tin gì từ doanh nghiệp? ☐ Thông tin chiến lược ☐ Thông tin dự báo ☐ Phân tích HĐ kinh doanh ☐ Thông tin chi tiết về hoạt động tài chính trong những năm trước của DN
6. Thông tin nào mà Anh/Chị muốn ít nhận được hơn trước? ☐ Thông tin chiến lược ☐ Thông tin dự báo ☐ Phân tích HĐ kinh doanh

☐ Thông tin chi tiết về hoạt động tài chính trong những năm trước của DN
7. Anh/Chị có kiểm tra được tính xác thực của thông tin được cung cấp không? ☐ Có ☐ Không

6. Theo ý kiến của anh chị, mức độ quan trọng của các nguồn thông tin như thế nào?

Nguồn thông tin	**Không quan trọng**	**Mức độ rất thấp**	**Mức độ thấp**	**Mức độ cao**	**Mức độ rất cao**
Hoạt động sản xuất hàng ngày của DN	**1**	**2**	**3**	**4**	**5**
Cuộc họp với trưởng các bộ phận kinh doanh	**1**	**2**	**3**	**4**	**5**
Tới thăm cơ sở sản xuất	**1**	**2**	**3**	**4**	**5**
Cuộc họp không chính thức với thành viên HĐQT	**1**	**2**	**3**	**4**	**5**
Tham gia các event của doanh nghiệp	**1**	**2**	**3**	**4**	**5**
Các tài liệu trong cuộc họp chính thức của HĐQT	**1**	**2**	**3**	**4**	**5**
Báo cáo tài chính được công bố của doanh nghiệp	**1**	**2**	**3**	**4**	**5**

7. Anh/Chị có nhận được thù lao dưới các hình thức sau đây không?

☐ Lương thường niên cho thành viên HĐQT
☐ Thù lao cho vị trí trưởng tiểu ban
☐ Thù lao dưới dạng cổ phiếu
☐ Thù lao tham gia các cuộc họp HĐQT
☐ Thù lao dưới dạng quyền mua cổ phiếu

8. Tác động của cổ đông lớn

Ai là cổ đông lớn trong doanh nghiệp anh/chị? ☐ Nhà nước ☐ Cá nhân
Có bao nhiêu thành viên HĐQT là đại diện cho cổ đông lớn trong doanh nghiệp? ……………………
Có phải Chủ tịch HĐQT được chỉ định bởi cổ đông lớn? ☐ Có ☐ Không
Có phải chủ tịch HĐQT là đại diện của cổ đông lớn không? ☐ Có ☐ Không
Có phải Tổng GĐ được chỉ định bởi cổ đông lớn không? ☐ Có ☐ Không
Có phải Tổng GĐ là đại diện của cổ đông lớn không? ☐ Có ☐ Không
Anh/Chị được đề cử là thành viên HĐQT bởi: ☐ Cổ đông lớn ☐ Cổ đông nhỏ lẻ có mối quan hệ mật thiết với cổ đông lớn ☐ Cổ đông nhỏ lẻ không liên quan tới cổ đông lớn
Theo Anh/Chị, cổ đông lớn có quyền lực chi phối để tác động tới hầu hết các quyết định chiến lược của doanh nghiệp? ☐ Có ☐ Không
Theo Anh/Chị, bằng cách nào cổ đông lớn có thể chi phối hội đồng quản trị? ☐ Bằng cách đề cử các thành viên hội động quản trị là đại diện phần vốn của mình chiếm trên 50% HĐQT ☐ Bằng cách cử chủ tịch HĐQT là đại diện của mình ☐ Bằng cách chỉ định ban TGĐ là đại diện của mình ☐ Bằng cách đề cử thành viên độc lập trong HĐQT
Theo Anh/Chị, nếu được đề cử bởi cổ đông lớn, Anh/Chị có ủng hộ mọi quyết định của cổ đông lớn trong HĐQT không? ☐ Có ☐ Không
Đã bao giờ anh chị bỏ phiếu phủ quyết các quyết định của cổ đông lớn? ☐ Có ☐ Không
Đã bao giờ anh/chị bỏ phiếu phủ quyết các quyết định của đa số thành viên HĐQT? ☐ Có ☐ Không

Đã bao giờ anh/chị bỏ phiếu theo số đông mà không theo quan điểm cá nhân không? (Anh/Chị cho rằng nên duyệt kế hoạch A nhưng thực tế anh chị bỏ phiếu phản đối việc thực hiện kế hoạch này)? ☐ Có ☐ Không
Theo quan điểm cá nhân, vai trò của Anh/Chị với tư cách thành viên độc lập trong HĐQT nên mô tả là? ☐ Thành viên HĐQT cho đủ số lượng ☐ Người tư vấn (mà không giám sát) ☐ Người giám sát hoạt động của HĐQT và ban điều hành

9. Theo Anh/Chị, các rào cản nào sau đây làm cho thành viên độc lập làm việc không hiệu quả trong HĐQT?

	Hoàn toàn không đồng ý	**Không đồng ý một phần**	**Không có ý kiến**	**Đồng ý một phần**	**Hoàn toàn đồng ý**
Quá nhiều quy định pháp lý, ràng buộc về quản trị doanh nghiệp	**1**	**2**	**3**	**4**	**5**
Thiếu quy định chi tiết về trách nhiệm, nghĩa vụ của thành viên độc lập trong "Quy chế quản trị doanh nghiệp tại các công ty Niêm yết"	**1**	**2**	**3**	**4**	**5**
Thiếu các khóa đào tạo của Ủy ban chứng khoán Nhà nước hỗ trợ thành viên độc lập hiểu được vai trò của họ trong quản trị doanh nghiệp	**1**	**2**	**3**	**4**	**5**
Thiếu kiến thức về doanh nghiệp và hoạt động kinh doanh của doanh nghiệp	**1**	**2**	**3**	**4**	**5**
Thiếu thông tin trong quy trình ra quyết định	**1**	**2**	**3**	**4**	**5**
Các lỗi cá nhân/ thiếu năng lực tham gia HĐQT	**1**	**2**	**3**	**4**	**5**
Thiếu sự tham gia vào hoạt động của công ty (VD: Chỉ tham gia được các buổi họp của HĐQT mà không tham gia các hoạt động khác của DN)	**1**	**2**	**3**	**4**	**5**
Tổng GD không muốn cung cấp thông tin	**1**	**2**	**3**	**4**	**5**
Thiếu sự cam kết vì hoạt động của DN	**1**	**2**	**3**	**4**	**5**
Có quá nhiều trách nhiệm và nghĩa vụ ở các DN khác	**1**	**2**	**3**	**4**	**5**
Thù lao không đủ để tạo động lực cho thành viên độc lập	**1**	**2**	**3**	**4**	**5**
Đã ở một vị trí trong thời gian quá lâu, thiếu các ý tưởng mới	**1**	**2**	**3**	**4**	**5**
Không có đủ thời gian	**1**	**2**	**3**	**4**	**5**

Trân trọng cảm ơn Anh/Chị đã dành thời gian hoàn thành phiếu khảo sát này. Sự hỗ trợ của Anh/Chị đã giúp đỡ nhóm nghiên cứu rất nhiều trong việc hoàn thiện đề tài.

Mong Anh/Chị trả lời toàn bộ câu hỏi trong phiếu khảo sát. Các phiếu khảo sát không hoàn thiện sẽ không được sử dụng trong đề tài.

Nguyễn Thị Tuyết Mai

Bộ môn Kế toán và Quản trị doanh nghiệp