

Executive Compensation from a Perspective of the Managerial Power Theory: The Case of Vietnam Stock Exchange Listed Firms

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Abstract

The study was conducted to determine which factors represent managerial power according to managerial power theory, making compensation less sensitive than performance. The paper was conducted on 225 listed companies on the Vietnamese stock market with 1350 observations for 6 years from 2012-2017. By GMM method to deal with endogenous problems, research results show that executives can more easily use power, and make interaction between compensation and firm performance weaker with the manager has a share ownership ratio of more than 5% or a centralized ownership of less than 15% or in companies with a State ownership of more than 50%. In addition, firm performance has the opposite effect with stronger compensation for performance with the manager has a share ownership ratio under 5% or company with no more than 15% concentration ownership or the company does not have a centralized State or family-owned businesses.

Keywords: executive compensation, managerial power theory, firm performance

Introduction

Conflict of interest in the relationship between the owner and the agent built by Michael Jensen and William Meckling, 1976, is called the problem of Agent Theory. In particular, executive compensation based on firm performance is seen as a financial incentive to motivate administrators to maximize shareholder value as it aligns the interests of managers and shareholders. On the contrary, the theory of managerial power (MPT) of Bebchuk and Fried (2003) views compensation as a part of the representation problem because executives can take advantage of power to gain more money. MPT argues that when executives are more powerful in management, they will have a better advantage of negotiating compensation agreements for their own interests, meaning they will be able to negotiate the amount of compensation is higher and they expect less risk, so compensation is less sensitive to the company's performance. And there are a large number of studies that have looked at these relationships to add empirical evidence to MPT. However, the research results are still mixed because of differences in each country and company. In particular, the studies on executive compensation in Vietnam are very limited, probably due to lack of research data. There

are only a few studies in Vietnam such as: Vo Hong Duc (2013), Ngo My Tran (2018) ... In which Vo Hong Duc (2013) examines the factors affecting the compensation of Board of Directors (BOD) with 80 companies listed on the Ho Chi Minh stock exchange in 2006-2012, Ngo My Tran (2018) consider the factors that impact on the executive compensation of 187 companies listed on Vietnam stock trading from 2012-2015. However, these studies only stop at determining which factors affect executive compensation and both studies do not consider executive compensation in terms of managerial power theory, the relationship between compensation and firm performance according to Agency theory. This research has filled that gap. In addition to the factors commonly found in previous studies of managerial power such as managerial ownership, duality, the independence of the BOD ... this study explores new factors that create power of manager. At the forefront, there are separate characteristics for Vietnamese enterprises: State owned enterprises (State ownership rate of more than 50% of shares), family enterprises (ownership ratio of family with more than 50%). With 2 types of businesses, surely there will be compensation mechanisms different from other enterprises, is the validity of MPT suitable for the context of Vietnamese enterprises? Do these businesses help the Director of the business increase the power to influence his compensation mechanism? And the paper will answer these questions. The objective of this study is to determine which factors represent managerial power under MPT, and how those factors affect compensation-performance sensitivity? The paper is conducted on 225 listed companies on Vietnam stock market including Ho Chi Minh City Stock Exchange (HOSE) and Hanoi Stock Exchange (HNX), with 1350 observations in 6 years from 2012-2017 (excluding financial companies due to differences in capital structure, companies do not have enough data). The paper uses data in this period for the reason that only in this period is the data of executive compensation for each year.

RESEARCH OVERVIEW

Executive compensation

Executive compensation is used to refer to the salary and benefits that Chief Executive Officer (CEO) receives during the year. Executive compensation structure usually includes: basic salary, bonus, allowance and other benefits. Agency theory plays an important role in executive compensation studies. Due to the existence of different interests between owners and representatives (Jensen & Meckling, 1976) and moral hazard related issues due to imperfect information in the relationship between representatives and owners (Holmstrom, 1979) may lead to

the agent not always acting in the best interest of the owner (Jensen & Meckling, 1976). Therefore, according to Agency theory, compensation plans need to be designed in accordance with the rights of executives to reduce conflicts of interest between them. However, some researchers argue that Agency theory has many limitations (Lambert et al., 1993) and does not pay much attention to the role of non-economic factors such as sociological or psychological factors in explaining executive compensation. Therefore, researchers began to explain the compensation that runs from other perspectives as a managerial power perspective. This is an alternative approach to explaining compensation to executives, the theory of managerial power to view compensation as part of the agent problem because executives can take advantage of the rights force for more compensation (Bebchuk & Fried, 2003). Because executives prefer compensation more and less risky, then if the executive has the power to influence the compensation, they will receive getting higher compensation and compensation is less sensitive to firm performance (Bebchuk & Fried, 2003). Here we will determine the factors that represent the power of CEO and how these factors affect the sensitivity of compensation-firm performance in the context of Vietnamese enterprises.

CEO's share ownership rate

Jensen and Meckling (1976) developed the theory of benefit convergence to explain the positive impact of management ownership, claiming that ownership of the manager's shares would help. Owner's benefits and manager benefits are identical to each other, reducing the problem of agent. However, when the manager holds a high percentage of ownership, which is likely to contain entrenchment, Demsetz (1983) thinks that this is a entrenchment when executives overcome the pressure from the control of the BOD, oversight from external mechanisms (threat of dismissal, acquisition, motivations from stock and compensation ...), they have enough voting rights to protect their work, so managers can make their own benefits without maximizing company value and becoming more serious. According to Finkelstein (1992), he identifies four types of executive power: hierarchical power, ownership power, expert power and prestigious power. In which there is ownership power, with high stock ownership, executives can increase power in the company, increasing the power to influence the decisions of the BOD, thereby increasing the compensation of the company. Similarly, Lambert et al. (1993) argued that the greater the ownership of stock managers, the stronger the power and therefore the higher executive compensation. Or, according to Fama and Jensen (1983), the higher the manager's ownership rate, the more powerful a manager has to express their goals without

fear of any regulation from the interests of other shareholders. According to Article 18, Enterprise Law 2014, Vietnam stipulates: Organizations and individuals may contribute capital and purchase shares, buy the share in company shares, except for those not contributing capital to businesses according provisions of law on cadres and civil servants. Thus, there is no restriction on the ownership rate of executives. In addition, Vietnam with a small operating market and incomplete business environment, the supervision of the Board of Directors' activities is weak, mechanisms to reduce conflicts of interest are sometimes not attractive enough, so the higher the share ownership, the more likely the CEO is to make the compensation less sensitive to the performance of the company. In Clause 9, Article 6 of the Law on Securities 2006, Vietnam, major shareholders are shareholders directly or indirectly owning from 5% or more of the voting shares of the issuing organization, due to the unidentified ratio voting rights, we can only base on the ratio of ordinary shares, but this can also be considered a different rate if CEO have ownership of 5% or more. Therefore, in order to specify which ownership rate will have different power symbols, we classify the data into two groups, group 1 is data including executives with stock ownership rates below 5%, and group 2 is over 5%. Based on these studies, I hypothesize:

Hypothesis H1a: With the CEO's share ownership rate above 5%, performance will positive impact on executive compensation weaker than other company.

Hypothesis H1b: With the CEO's share ownership rate above 5%, executive compensation will positive impact on performance weaker than other company.

Duality

CEO abuses power due to excessive concentration of rights from concurrently (the chairman of the BOD and CEO of the company). This can be considered the highest rank in the enterprise hierarchy, with these two positions CEO will have more duties and powers, which may lead to more influence on executive compensation (Finkelstein D'Aveni, 1994; Boyd, 1994; Conyon, 1997). As a result, the proportion of non-duality converting companies in the US increased from 55% in 1999 to 70% in 2003 (Wellalage & Locke, 2011). The duality also hampers the Board's activities in supervising the company and thereby increasing agency costs, increasing power abuse in the manager's management and reducing the Board's independence (Fama & Jensen, 1983; Khaled Elsayed, 2007). In Vietnam, According to Article 152, the Enterprise Law 2014, the BOD elected one member of the Board as Chairman. The Chairman of the BOD may concurrently be

the Director or General Director of the company unless the Joint Stock Company is held by the State with more than 50% of the total votes, then the Chairman of the BOD may not concurrently be the Director or the General Director. And according to the Circular 121/2012 of the Ministry of Finance, the Chairman of the BOD must not concurrently hold the position of executive director (general director) unless this part-time job is approved annually at the annual general meeting of shareholders. However, according to the Decree 71/2017/ND-CP, which has just been issued by the Government and started to take effect from August 1, 2017, it must be from August 1-2020, this concurrent ban on regulations is officially apply. At the same time, the ban on concurrently has no exclusion. However, at present, according to statistics with research data model, about 28% of companies have executive directors concurrently holding the position of Chairman of the Board, a relatively high rate, proving that in Vietnam the current situation still is also common. The actual situation in Vietnam has many cases of poor governance of companies in some businesses, such as Duong La Nga, Bach Tuyet Cotton ... more or less related to the relationship between the Director and the Board about consistency in corporate management, losing investor confidence. MPT believes that power is concentrated in the hands of an individual who can create the highest possible conditions for the executive director. Therefore, duality will lead to confusion, abuse of powers of both positions in management, running a business, making it more difficult for supervision, assessment of operating capacity as well as the manager's status, makes it easy for directors to create favorable pressure on compensation mechanisms and reduce level of sensitivity of compensation - business efficiency. Therefore, I hypothesize:

Hypothesis H2a: With duality, performance will positive impact on executive compensation weaker than other company.

Hypothesis H2b: With duality, executive compensation will positive impact on performance weaker than other company.

The independence of the Board

As Agency theory of optimal contracts see the Board as a representative of shareholders and therefore, they are willing to monitor and limit management power (Conyon & Peck, 1998; Finkelstein, 1992; Yermack, 1996). In addition, the structure of the BOD will limit or allow management power to influence the process of setting up compensation payments, in which the theory that the Board with many independent members will effectively control of the Executive Board, thereby limiting the power of leaders

affecting the interests of shareholders. Not having a lot of benefits in addition to fixed wages, this gives independent members a lot of motivation to protect their reputation and prestige. Or as Fama & Jensen (1983) stated independent experts make independent decisions and only focus on improving the company's performance. Thus, it can be said that the proportion of independent members in the Board is proportional to the power and quality of the Board. However, MPT have challenged this assumption that executives will still use influential power if the Board is not strong enough (Bebchuk & Fried, 2004). MPT stresses that some independent members have actually lost their independence and become susceptible to executives, such as the role of CEO in selecting and deciding members in BOD, including independent members (Bebchuk & Fried, 2004). Moreover, cooperation between independent members and CEO can be enhanced over time (Bebchuk & Fried, 2004; Macey, 2008). In such situations, independent members may become less willing to challenge agreements with the top manager. What about the situation of independent members in Vietnam? According to the 2014 Enterprise Law, an independent member is a person who does not directly or indirectly own at least 1% of the total voting shares of the company. However, reality in Vietnam involvement of independent board members in public companies is generally a formality, not shown, independent of his role as companies around the world. First, there are many reasons to be concerned about the independence and independence of these members. Accordingly, relationships exist that threaten to affect this independence. Listed businesses, including those with the best level of governance in Vietnam, still have to use independent member referral mechanisms based on the available relationships of the Board, even the executive director. Thus, the independence of the Board members regarding the "independent point of view" standard is really difficult to be guaranteed. Being appointed to the Board will make them feel reluctant whenever they intend to make critical comments on the proposals from the manager. Secondly, companies often have Board members' excessive dependence on information provided by directors, so CEO easily makes accounting indicators more convincing than providing information. Third, Vietnam has many equitized companies from state-owned enterprises. In these companies, the State often occupies a dominant shareholding so the fact that the General Meeting of Shareholders elects the Board is just to formalize the list approved by the State agency. And so, the independent members of the Board are no exception. With the operation under the share mechanism, the management must be under the control of the State, the independence of these

members will obviously not be effective. Thus, to ensure independence, there must be a clear nomination process and must ensure that independent members are nominated by independent organizations, or organizations representing small shareholders, the contents of a presentation. There are no such organizations in Vietnam, but there are many such organizations in ASEAN countries, for example, in Singapore, there are SIDs, in Thailand with Thai IODs, in Malaysia with MSWGs, in the Philippines, there are Filipino ICDs, in Indonesia there is IICD. Therefore, the level of independence of the Board members is not enough to monitor the power of the executive director, so I hypothesize:

Hypothesis H 3: With The independence of the Board will have no impact on the sensitivity of compensation – firm performance.

Concentration of ownership

There are many studies proving ownership concentration reduces the cost of agent, increases investment opportunities, thereby improving business performance. Jensen and Meckling (1976) argue that the higher the concentration of ownership, the greater the achievement of the business because of the cohesion of the interests of shareholders and the interests of the company, thereby limiting agency costs. Agrawal & Mandelker (1990), La Porta et al. (2002) arguing that the major shareholders have many measures to limit the personal profiteering of the representatives, as a major shareholder they have many benefits related to the value of the company, so they often use power impose controls on the Executive Board thereby reducing agency costs and improving business performance. Both MPT and Agency theory argue that the ownership structure of companies can limit CEO power (Tosi et al., 2000). Large ownership focus often has both means and incentives to monitor effective management (Bebchuk & Fried, 2004; Shleifer & Vishny, 1997) because shareholders have large investment shares, they depend more on the performance of the company. In addition, major shareholders are more likely to protect their interests with both official influences, such as nominating and voting for directors, and informal as communicating with management (Smith, 1996). In contrast, for distributed shareholders, who only own a small percentage of the company, the cost of close monitoring may be too high to the benefit that can be generated by such supervisors. Instead of trying to direct decision managers, these shareholders tend to vote more or they will sell shares easily if they disagree with the CEO or when the company's performance drops down under expectation (Heugens, van Essen, & van Oosterhout, 2009; Hirschman, 1970).

Moreover, distributed shareholders can hardly have strategies and goals to enhance corporate value, leaving the right to managers with their own decisions (Thomsen & Pedersen, 2000). Previous studies have also shown that executive compensation is a negative impact on companies with large shareholders with a holding rate of 5% or more (Core, Holthausen, & Larcker, 1999; Khan, Dharwadkar, & Brandes, 2005; Lambert, Larcker, & Weigelt, 1993; Mehran, 1995). The combination of performance and compensation (performance-pay sensitivity) is also likely to be stronger in companies with a higher concentration of ownership, because major shareholders will monitor management more closely and ensure that executives will make decisions to enhance shareholder value (Bebchuk & Fried, 2004; Shleifer & Vishny, 1997). Therefore, I hope that companies with more centralized ownership will be better able to limit management power, from which I hypothesize:

Hypothesis H4 a: With a high concentration of ownership level, performance will positive impact on executive compensation stronger than other company.

Hypothesis H4b: With a high level of ownership, executive compensation will positive impact on performance stronger than other company

Family ownership

In Vietnam, family companies are also quite popular forms. Since 1986, Vietnamese family companies have made significant contributions to national development, have made dramatic changes in business and many companies have become big companies in the economy such as Phu Nhuan Jewelry Company, Kinh Do Confectionery Company, Minh Long Ceramics Company, Saigon Paper Company ... To classify based on the research sample, I classify the company family is a company in which members of a family hold a shareholding rate of 50% or more. The best thing about family companies is the ownership structure. This structure allows them to limit the two most complex problems of other businesses: short-term results and potential conflicts between owners and managers. In these companies, managers (usually are the family members) tend to maximize company value because the company is the property of the family, so they often do not act for their own interests to profit. However, with the development of growing family companies, the owners must hire outside professional managers to manage the company, so conflicts of interest occur between owners and the Executive Board is still the same as other companies. However, family companies with the advantage of ownership, they control the company more closely than other businesses, in which they are particularly

aware of the importance of monitoring the executive board, so they are willing to pay a large amount of money to hire the control board, independent members to always be ready to report in detail about the company's business and the Executive Board's behaviors. Inviting an independent member can be considered a turning point in the professionalization of governance at Vietnamese family enterprises. For example, at KIDO Group Joint Stock Company, among 9 members of the Board of Directors, there are 5 members who are family members of President Tran Kim Thanh, the rest are lawyers and [economic](#) experts. This is also the reason that KIDO, although an enterprise of family origin, always keeps the mass, transparency and successes. Allen (1981) examines the power of CEOs by analyzing family stock ownership of CEOs and other directors of the company, and research results show that CEOs and family owners have also received a large part of their income from dividends instead of compensation, he said, this could be a deliberate strategy to prevent shareholders' disagreement over CEO compensation. Similarly, Finkelstein and Hambrick (1989) find that compensation for CEOs has a negative impact on holding the CEO's family ownership. Example, Chairman and CEO of Quoc Cuong Gia Lai, Nguyen Thi Nhu Loan only received 7 million VND/month in 2016. Thus, it can be said that family enterprises often do not use the power to influence their compensation mechanism because their goals are long-term of the company, and they always increase supervision, thus compensation will be more involved in performance than other businesses, so I hypothesize:

Hypothesis H5a: For companies with family ownership, performance will positive impact on executive compensation stronger than other companies.

Hypothesis H5b: For companies with family ownership, executive compensation will positive impact on performance stronger than other companies.

Centralized State Ownership

Vietnam began economic reforms since 1986. The main objective is to apply market economy mechanisms to the old central planning system to improve the efficiency of resource allocation and improve productivity. This is one of Vietnam's challenges when reforming state-owned companies. During the "planning economy" period, the payment of compensation to managers is mainly based on their level, not related to performance, resulting in differences in wages were very small ranks. When Vietnam still maintains a salary-based it will limit and discourage the Executive Board from increasing the value of the company. By the time the state-owned enterprises were

promoted by the market mechanism and gradually terminated the centralized planning function of the government. The separation of state ownership and state-owned enterprise management became crucial during this period. Since then, the socialist market economy has been speeding up the transition from "planned economy" to "market economy". Inside, mechanisms for executive compensation is also improved. Then, the government has introduced a number of related policies to encourage compensation according to business results. Although there are regulations on compensation according to business results, compared to other enterprises, it is not enough to compete with private joint stock companies. Accordingly, joint stock companies with dominant capital of the State currently pay compensation to the Executive Board according to Circular No. 28/2016/TT-BLĐTBXH dated September 1, 2016 guiding the implementation of regulations on labor, salary, compensation, bonuses for joint stock companies, dominant capital contribution of the State. If the company fulfills its production and business plan and profits exceed the plan, every 1% of profits will exceed the planned profit, the average wage level shall be calculated at the maximum of 2%, but not more than 20% of the average planned salary. On the other hand, if the company makes profits lower than the planned profit, every 1% of profits will be reduced compared to the plan, the average wage level of the manager of the company must reduce by 1% compared to the average salary planned. As a result, State companies pay compensation according to the profit level compared to the planned profit level and have a clear reward and punishment regime, however, there is a limit on the maximum and the penalty level is also not competition because the salary based on the penalty is the average salary of the plan is usually low because it must follow the framework of salary regulation of the State. Chen et al. (2003) found that in centralized state-owned companies, the Chinese government always restricts managers income with their employee salaries. In addition, their main motives are primarily titles, positions and honors rather than earnings of money. In addition, Liu et al. (2011) found that the greater the power of state executives, the more likely they would be exempted from penalties when business performance was not met. Therefore, the salary and bonus are not attractive, yet motivated to encourage the Director, and because the company is owned by the entire people, the executives and officials are not very concerned about business performance, so the sanctioning mechanism of the executive levels when the company is not working well is ineffective, not enough to create a "barrier" safe for business operations. And this may be the key point for the sensitivity of executive compensation - firm performance is much weaker than

other businesses. Based on previous studies and the real situation in Vietnam, I hypothesize:

Hypothesis H6a: For companies with centralized state ownership, performance will positive impact on executive compensation weaker than other companies.

Hypothesis H6b: For companies with centralized state ownership, executive compensation will positive impact on performance weaker than other companies.

RESEARCH METHODS

The study was conducted using quantitative methods, using regression models. Research data are taken from the financial reports, prospectus, annual reports, management reports ... of companies listed on the Vietnam Stock Exchange posted on their websites. Models are processed by Stata software 12.0.

Regression model

To build a regression model to consider factors affecting executive compensation, I rely on previous studies to build control variables such as: Murphy (1985), Elkinski and Stater (2011), Gibbons and Murphy (1992), Core and Guay (1998), Jalbert et al. (2011), Cordeiro, He, Conyon, and Shaw (2013), Conyon & Peck, 1998, Core et al. (1999), Yermack (1995), Conyon & He (2011), Chen et al. (2010).

To build a regression model to consider factors affecting firm performance, I rely on previous studies to develop control variables such as Carter, Simkins and Simpson (2003), Jalbert et al. (2002), Chen et al. (2010), Finkelstein and D'Aveni (1994), Mork et al. (1988), Jensen, MC (1993), Chen et al. (2005), Xu & Wang (1999), Uwugbe and Olusanmi (2012), Himmelberg et al. (1999), Neil Nagy (2009), Jensen and Meckling (1976), Demsetz and Villalonga (2001).

To consider the impact of factors share ownership of CEO to the sensitivity of compensation - firm performance, we implemented split data into 2 parts, the first data including executives have stock ownership rate below 5%, part 2 is data including executives with stock ownership ratio above 5%, then perform regression of these 2 data sections:

$LOGTOBINQ = \beta_0 + \beta_1 LOGCASH_{it} + \beta_2 EC_{it} + \beta_3 COC_{it} + \beta_4 BAC_{it} + \epsilon_{it}$ (1) with CEO data owning less than 5% of stock

$LOGCASH = \beta_0 + \beta_1 LOGTOBINQ_{it} + \beta_2 EC_{it} + \beta_3 COC_{it} + \beta_4 BAC_{it} + \epsilon_{it}$ (1') with CEO data owning less than 5% of stock

$LOGTOBINQ = \beta_0 + \beta_1 LOGCASH_{it} + \beta_2 EC_{it} + \beta_3 COC_{it} + \beta_4 BAC_{it} + \epsilon_{it}$ (1'') with CEO data owning more than 5%

of stock

$\text{LOGCASH} = \beta_0 + \beta_1 \text{LOGTOBINQ}_{it} + \beta_2 \text{EC}_{it} + \beta_3 \text{COC}_{it} + \beta_4 \text{BAC}_{it} + \varepsilon_{it}$ (1''') with CEO data owning more than 5% of stock

β : estimation coefficient; i : i th observation; t : year t ; ε : residuals

We regress (1), (1'), (1''), (1''') with 3 normal least squares estimation methods (Pooled OLS), fixed effects (FEM), Random effects (REM). Then regression (1), (1'), (1''), (1''') with the method selected and implemented the endogenous treatment model with GMM model. In addition to see how self-interaction between two compensation variables, ownership and impact on business performance, we use the following model:

$\text{LOGTOBINQ} = \beta_0 + \beta_1 \text{LOGCASH}_{it} + \beta_2 \text{EC}_{it} + \beta_3 \text{COC}_{it} + \beta_4 \text{BAC}_{it} + \varepsilon_{it}$ (1''')

In order to consider the influence of duality, we implement the data split in two parts, part 1 is the data including the CEO without duality, part 2 is the data including the CEO with duality, then perform regression of these two parts is similar to equation (1): We get equations (2), (2') and (2''), (2''')

To consider the influence of the proportion of independent members of the BOD, we perform data separation in two parts, part 1 is data including companies without independent members, part 2 is data whether there are 1 or more independent members, then perform this 2-part regression similar to equation (1): We get equations (3), (3') and (3''), (3''')

To consider the influence of concentrated stock ownership, we divide the data into two parts, part 1 is the data including the company with the largest shareholder ownership with the ownership ratio less than 10%, part 2 is the data for which the company with the largest shareholder ownership has an ownership rate of more than 10%, then performs regression of these two parts similar to the method (1): We get Equation (4), (4') and (4''), (4'''). Do the same for an equity ratio of 15%, we get equations (5), (5') and (5''), (5'''). Do the same for 20% stock ownership, we get equations (6), (6') and (6''), (6''').

In order to examine the impact of the centralized family ownership factor, we make the data split into two parts, part 1 is the data including the non-family owned company, part 2 is the data includes a family-owned company (family owns 50% or more of the stock), then performs regression of these two parts similar to the equation (1): We get the equation (7) and (7') and (7''), (7''').

In order to examine the impact of centralized state

ownership, we divide the data into two parts, part 1 is the data including the State ownership rate below 50%, part 2 is the data includes the state ownership rate of more than 50%, then performing the regression of these 2 data sections is similar to the equation (1): We get equations (8) and (8') and (8''), (8''').

Description of variables

Dependent variable:

CEO cash Compensation (LOGCASH): Logarithm total cash salary reward of executives received in the financial year.

Return on Asset is measured by Tobin's q (LOGTOBINQ) = Logarithm of enterprise market value / Total assets;

Duality (Duality): Dummy variable = 1 if the Chair of BOD is also the CEO of the company; = 0 if not.

Control variable:

+ Executive Characteristics (EC):

Gender of CEO (GENDER): Dummy variable = 1 if CEO is male; = 0 if the CEO is female.

Age (AGE): the age of CEO.

Work experience (EXPERIENCE): Number of years of experience as CEO

Education (EDUCATION): dummy variable = 1, if CEO has an MBA or higher, = 0 if not.

Executive Ownership (OWNERSHIP): Number of CEO's shares/Total number of shares of the company.

+ Characteristics of companies (COC):

Firm size (FSIZE): logarithm of total annual assets of the company.

Duration of firm operation (FAGE): total years of operation since its foundation

Leverage (LEVERAGE): Debt / Total assets.

+ Business administration characteristics (BAC)

Independent members (INDEPENDENT): Number of independent members of BOD/ Total members of BOD

The number members of BOD (BSIZE): Total number of BOD

State ownership (SOWNERSHIP): Dummy variable = 1 if the state is the largest shareholder in the company; = 0 if not.

Foreign ownership (FOWNERSHIP): Foreign shares/ total shares.

Share ownership ratio of the largest shareholder (CONCENTRATION): ownership ratio of the largest shareholder of the company/Total number of shares.

Level of firm volatility: Basic earnings per share (EPS) - average basic interest per share.

Dummy variables for each industry: 1 (real estate and construction), 2 (Technology), 3 (industry), 4 (services), 5 (consumer goods), 6 (energy), 7 (materials), 8 (agriculture), 9 (medical).

Executive Ownership of shares is lower than 5% (OWNERSHIP5): The percentage of shares executives holding less than 5%/Total shares of the company.

Executive Ownership of shares is higher than 5% (OWNERSHIP15): The percentage of shares executives holding is higher than 5%/Total shares of the company.

Concentrated share ownership is less than 15% (CONCENTRATION15): The percentage of shares held by the largest shareholder is less than 15%/Total shares of the company. Concentrated share ownership is higher than 20% (CONCENTRATION20): The percentage of shares held by the largest shareholder is higher than 20%/Total shares of the company.

RESEARCH RESULTS

Descriptive statistical analysis

The total number of observations in the study is 1350. The statistical results show that executive compensation with the lowest level is 1.25 and the highest is 3.84. LOGTOBIN'S Q is the lowest with -5.3, the highest is 9.8, the average is 2.5. The CEO has the lowest share ownership rate of 0% and the highest is 64.74%, the average ownership is 4%. The highest share ownership rate of shareholders is 94.99%, the lowest is 0%, the average rate is 34%. The highest number of independent members is 5, the lowest is 0, and the average number is 1 member. The correlation coefficient between the variables is lower than 0.5, so the variables have a negligible correlation coefficient.

Ratio of CEO's shares

The results of multicollinearity test through the magnification factor of variance VIF (Variance inflation factor) are less than 10, so there is no multicollinearity. Breusch and Pagan Lagrangian tests to compare OLS and REM to see which method is better. Results for Prob> chi2 = 0.000 <1%, we reject the hypothesis H0, so REM method is better than Pooled OLS. Continue to use Hausman test to compare between REM and FEM, the results of Prob> chi2 = 0.000 <1%, reject the hypothesis

H0, FEM model is better than REM model. Thus, the best FEM method in 3 models. Test results of Modified Waleed Test with hypothesis H0: there is no heteroskedasticity, Prob> chi2 coefficient = 0.000, less than 1% we reject hypothesis H0 at 1% significance level, showing that the model has the problem of heteroskedasticity. The autocorrelation test results by Wooldridge test with the Prob> F = 0.0000 coefficient <1%, so the model has the problem of autocorrelation. Thus, the model has the problem of autocorrelation and heteroskedasticity, so we have to deal with GLS estimation (Generalized Least Squares).

Buck, Liu and Skovoroda (2008) found that the company's performance and executive compensation interacted with each other so there was the possibility of an endogenous. So, we have to deal with GMM, I implement the xtabond2 command with robust twostep option to handle these problems. Table 1 regression results with data that the CEO owns shares below 5%, the dependent variable with latency Lag = 3. Processing results with Hansen test of overid value. restrictions are P-value = 0.165 > 10%, accepting hypothesis H0: instrument variables in the model are appropriate (exogenous and valid for use). Verification of Arellano Bond correlation of order of series 2 AR (2)) with the value of p = 0.363, rejecting the hypothesis of the model with autocorrelation at the difference level 1. So the GMM suitable and valuable to use.

The result of the data regression of the CEO's ownership ratio is below 5%, we have 1035 observations, the regression results show that the executive compensation variable has the same effect on performance (LogtobinQ) with a reliability up to 99% in POOL, FEM, REM, GLS, reliability up to 95% in GMM model. However, with the rate of ownership of less than 5%, executive compensation negatively affects firm performance with a reliability of up to 99% in POOL, REM, GLS and 95% in FEM, GMM. So, companies with CEO own less than 5%, the larger the executive compensation, the more firm performance. Performing the same equation (1), we have the following results on Table 1, Table 2, Table 3, Table 4, Table 5.

Combined with the above models, we find that the results are completely consistent with the hypothesis H1a and H1b, consistent with the Agency theory and managerial power theory. With stock ownership rates above 5%, CEO can more easily use power, and make the interaction between compensation and firm performance weaker than those of CEO with shares less than 5%, so the theory of Agency only works in the form of CEO with the ownership rate lower than 5%, then the compensation will work to encourage effective and reverse business performance.

Duality

Combining the above equations, we have research results that are inconsistent with the hypothesis H2b because we have not found evidence of the power of duality, due to both forms. Performing the same equation (1), we have the following results on Table 6, Table 7, Table 8, Table 9. All data show a positive correlation of compensation to performance in GMM model. However, the results of the study are consistent with the hypothesis H2a, with companies that do not have duality, the performance has the same impact on executive compensation, so in these companies, the salary regime encourage and rely on business results than other companies. According to the research sample, up to 38% of family companies have duality and companies that have duality in family companies account for 19%. So, we can't find the evidence that companies with CEO's duality show their power to have a beneficial effect on compensation for personal gain. One of the reasons is maybe these companies are family forms, so CEO prefer to maximize the profit for their business, which is the long-term goal, and the compensation system is sometimes symbolic.

Independent members

Combined with the above models, the research results are consistent with the hypothesis H3. Performing the same equation (1), we have the following results on Table 10, Table 11. The results also showed no significant differences between the two data patterns composed of independent members or not, so we have not found evidence that the company with no independent members will facilitate the CEO easily use the power of influence on compensation.

Concentrated ownership

We will in turn separate the data sample into two parts, with different levels of centralized ownership (the shareholding rate of the largest shareholder) to understand the different effects on compensation. First of all, we start with two data models, including concentrated ownership of less than 10% and data samples that include concentrated ownership of more than 10%. Performing the same equation (1), we have the following results on Table 12, Table 13, Table 14, Table 15.

Combining models we see no difference in expressing the power of CEO in two groups of data with a concentration of ownership above and below 10% in the GMM model. We need to observe more at the concentration of ownership at a higher level to see if the major shareholders can play their role. The following are the results of regression of 2 data samples with a concentration of 15% on Table 16, Table 17, Table 18, Table 19.

Combining the above models, we see regression results in accordance with the hypothesis H4a, H4b, in accordance with the Agency theory and managerial power theory. We see, in companies with large shareholders owning shares of more than 15% have a policy to encourage CEO with compensation mechanisms associated with business efficiency more clearly with other companies, which effectively business has a positive and strong impact on executive compensation (reliability up to 99%) while other businesses with concentrated ownership of less than 15% of business performance do not interact with compensation (appropriate with H4a hypothesis). In addition, the major shareholders have promoted effective control of executives, making the sensitivity of compensation impact on business performance more positively and strongly than other companies (in accordance with the hypothesis H4b).

In the same way, we find that as much as 20% of the research results show a more marked contrast in the two data patterns, research results are consistent with the hypothesis H4a, H4b. Performing the same equation (1), we have the following results on Table 20, Table 21, Table 22, Table 23. At a concentrated ownership rate of less than 20%, MPT shows more even strongly, the sensitivity of executive compensation is contrary to firm performance. On the contrary, with a sample of ownership data concentrated over 20%, obviously involving the majority of shareholders, they control the CEO more closely, so the sensitivity of compensation to the firm performance is stronger (in accordance with H4b hypothesis), and they also have compensation policy to encourage CEO with reasonable and effective effects on business results: the higher the performance, the greater the compensation. In companies with concentrated ownership of less than 20%, even the impact of performance is in contrast to compensation, without incentives (suitable for H4a hypothesis).

Centralized State Ownership

Combining the models, we find that the research results are consistent with the hypothesis H5 a, H5b, consistent with the Agency theory and MPT. Performing the same equation (1), we have the following results on Table 24, Table 25, Table 26, Table 27. For companies with dominant state ownership (over 50%), the level of performance monitoring of executives is poor, making the sensitivity of compensation to business performance much weaker in the company has a lower state ownership ratio (consistent with the hypothesis H5b). Research results are consistent with the hypothesis H5a, in companies with state-owned dominant, business performance positively impacted with compensation not as strong as other businesses (reliability with 90% versus 99%). In dominant state-owned

companies, with low compensation, are not competitive, are not enough to motivate CEO to grow effectively. The salary, bonus, when completing the job are low, but the penalty when ineffective does not "create an effect" for the CEO to try harder, therefore, the compensation regime does not have a strong incentive effect compared to other companies.

Centralized family ownership

Performing the same equation (1), we have the following results on Table 28, Table 29, Table 30, Table 31. Combining the models, we find that the research results are in accordance with the hypothesis H6a: for companies with family ownership rates that focus on business efficiency, impact on positive and strong compensation. more than non-family owned companies (reliability with 99% compared to 95%). Because in family companies, they have a strong interest and encouragement of more executives, so they often make compensation policies strongly linked to business performance. However, the results of the study are not consistent with the hypothesis H6b because no evidence has been found showing the different effects of the family ownership rate on sensitivity compensation - business efficiency in the two research samples. In the above case, it is not clear how the supervision of family ownership on business performance is effective in the context of Vietnam.

DISCUSSION

The findings of the topic are important because they provide the first evidence of the effectiveness of Agency theory and MPT in Vietnamese enterprises. It is clear that the MPT does not reject the theory of Agency but only adds and clarifies the impact of executive power on compensation mechanisms. The research results give us a broad view of the executive compensation situation in Vietnam, a very new issue that really deserves the attention of managers, shareholders and also of the Board of Management. First, with stock ownership rates above 5%, executives are more likely to use power, and make the interaction between compensation and business performance weaker than other companies with the share ownership ratio is below 5%, so the Agency theory only works in the form of CEO's data with the ownership rate lower than 5%, then the compensation will have the effect of encouraging business performance. Therefore, if the company has a policy to encourage CEO by owning shares, it should be noted at a moderate level, with a higher ownership rate likely to have the opposite effect. Secondly, for companies that CEO do not have duality, the salary regime is encouraging, based on business results more than other. Thirdly, at companies with large shareholders

ownership percentage of over 15% have policies to encourage CEO to the compensation mechanism linked to business performance more clearly with other companies. In addition, the major shareholders have promoted effective control of executives, making the sensitivity of compensation impact positively and strongly impact on business performance than other companies. Thus, it can be concluded that companies with centralized ownership of less than 15%, the increased executive compensation is unlikely to create an incentive to increase business performance. So, CEO expresses power more easily, thus making it weaker for the sensitivity between executive compensation and business performance. The research results even clearer at higher concentration. With a centralized ownership rate of less than 20%, the theory of power is strongly expressed, the sensitivity of compensation even contrasts with business performance. The research results, reflecting the great role of major shareholders in Vietnamese enterprises, especially with shareholders having a share ownership ratio of over 20%, and they really have an effective effect on businesses. Fourthly, the company rates the dominant state ownership (50%), CEO show more power, making the sensitivity of compensation to business performance much weaker in companies with lower state ownership rates. In state-owned companies, business performance positively impacts on compensation with not as strong as other businesses. In addition, in these companies with low compensation, are not competitive, are not enough to motivate executives to grow efficiently. Finally, the company with centralized family ownership, compensation impact positively and strongly than other companies without family ownership. Because in family companies, they have a strong interest and encouragement of more executives, so they often make compensation policies strongly linked to business performance. However, the results of the study have no evidence showing the different effects of the family ownership rate on sensitivity compensation - business efficiency in the two research samples.

"Acknowledgments: This research is funded by a grant from the academic research fund of University of Economics Ho Chi Minh City, Vietnam."

Table 1. Executive compensation impacts on performance. Sample data include executive director of stock ownership under 5% (1')

	POOL LOGTONBINQ	FEM LOGTONBINQ	REM LOGTONBINQ	GLS LOGTONBINQ	GMM LOGTONBINQ
LOGCASH	0.449*** (10.06)	0.118*** (3.21)	0.253*** (6.45)	0.349*** (15.38)	1.064** (2.36)
OWNERSHIP85	-0.0531*** (-3.62)	-0.0261** (-2.11)	-0.0473*** (-3.72)	-0.0164** (-2.48)	-0.0433** (-2.07)
N	1035	1035	1035	1035	1035
Adj -squared	0.4151				
Modified Waled Prob>chi2		0.000			
Wooldridge Prob>F		0.000			
Hausman Prob>chi2		0.000	0.000		
Hansen test of overid. Restrictions AR (2)					0.165 0.363

t statistics in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 2. Performance impacting on executive compensation. The data sample includes a stock ownership executive under 5% (1')

	POOL LOGCASH	FEM LOGCASH	REM LOGCASH	GLS LOGCASH	GMM LOGCASH
LOGTONBINQ	0.201*** (10.06)	0.104*** (3.21)	0.160*** (6.89)	0.197*** (18.75)	0.410*** (2.77)
N	1035	1035	1035	1035	1035
Adj -squared	0.2702				
Modified Waled Prob>chi2		0.000			
Wooldridge Prob>F		0.000			
Hausman Prob>chi2		0.0351	0.0351		
Hansen test of overid. Restrictions AR (2)					0.187 0.587

t statistics in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 3. Executive compensation impacts on performance. The data sample includes a stock ownership executive over 5% (1')

	POOL LOGTONBINQ	FEM LOGTONBINQ	REM LOGTONBINQ	GLS LOGTONBINQ	GMM LOGTONBINQ
LOGCASH	0.609*** (3.69)	-0.113 (-0.57)	0.120 (0.72)	0.295*** (5.15)	1.368 (1.28)
OWNERSHIP15	0.00245 (0.34)	-0.00346 (-0.59)	-0.000490 (-0.09)	0.00300 (1.48)	0.00319 (0.73)
N	315	315	315	315	315
Adj -squared	0.0585				
Modified Waled Prob>chi2		0.000			
Wooldridge Prob>F		0.000			
Hausman Prob>chi2		0.0119	0.0119		
Hansen test of overid. Restrictions AR (2)					0.811 0.414

t statistics in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 4. Performance impacting on executive remuneration. The data sample includes a stock ownership executive over 5% (1st)

	POOL LOGCASH	FEM LOGCASH	REM LOGCASH	GLS LOGCASH	GMM LOGCASH
LOGTONBINQ	0.0718*** (3.69)	-0.0123 (-0.57)	0.0115 (0.58)	0.0493*** (5.92)	0.475 (1.01)
N	315	315	315	315	315
Adj -squared	0.3693				
Modified Waled Prob>chi2		0.000			
Wooldridge Prob>F		0.000			
Hausman Prob>chi2		0.000	0.000		
Hansen test of overid. Restrictions AR (2)					0.913 0.411

t statistics in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 5. Results of the interaction between compensation and share ownership ratio on performance (1st)

	POOL LOGTONBINQ	FEM LOGTONBINQ	REM LOGTONBINQ	GLS LOGTONBINQ	GMM LOGTONBINQ
LOGCASH	0.465*** (9.00)	0.0640 (1.26)	0.235*** (4.63)	0.352*** (17.79)	0.329*** (4.47)
OWNERSHIP	-0.0104*** (-4.49)	-0.00516** (-2.20)	-0.00793*** (-3.38)	-0.00772*** (-8.86)	-0.00918** (-1.98)
N	1350	1350	1350	1350	1350
Adj -squared	0.2230				
Modified Waled Prob>chi2		0.000			
Wooldridge Prob>F		0.000			
Hausman Prob>chi2		0.0005	0.0005		
Hansen test of overid. Restrictions AR (2)					0.038 0.304

t statistics in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 6. Executive compensation impacts on performance. Sample data include executive director who does not concurrently serve as chairman of the board (2)

	POOL LOGTONBINQ	FEM LOGTONBINQ	REM LOGTONBINQ	GLS LOGTONBINQ	GMM LOGTONBINQ
LOGCASH	0.417*** (8.13)	0.122*** (3.13)	0.221*** (5.42)	0.357*** (15.50)	0.872* (1.94)
N	968	968	968	968	968
Adj -squared	0.3431				
Modified Waled Prob>chi2		0.000			
Wooldridge Prob>F		0.000			
Hausman Prob>chi2		0.000	0.000		
Hansen test of overid. Restrictions AR (2)					0.031 0.313

t statistics in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 7. Performance impacting on executive remuneration. The data form includes the executive director who does not concurrently serve as the chairman of the board (2')

	POOL LOGCASH	FEM LOGCASH	REM LOGCASH	GLS LOGCASH	GMM LOGCASH
LOGTONBINQ	0.156*** (8.13)	0.104*** (3.13)	0.135*** (6.07)	0.185*** (16.27)	0.250** (2.21)
N	968	968	968	968	968
Adj -squared	0.2593				
Breusch and Pagan Lagrangian multiplier test Prob>chi2			0.000		
Wooldridge Prob>F		0.000			
Hausman Prob>chi2		0.1339	0.1339		
Hansen test of overid. Restrictions AR (2)					0.121 0.4

t statistics in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 8. Executive compensation impacts on business performance. The data form includes the executive director who is also the chairman of the board (2'')

	POOL LOGTONBINQ	FEM LOGTONBINQ	REM LOGTONBINQ	GLS LOGTONBINQ	GMM LOGTONBINQ
LOGCASH	0.697*** (5.47)	-0.0538 (-0.34)	0.221* (1.66)	0.471*** (10.45)	1.190* (1.81)
N	382	382	382	382	382
Adj -squared	0.1367				
Modified Waled Prob>chi2		0.000			
Wooldridge Prob>F		0.000			
Hausman Prob>chi2		0.0036	0.0036		
Hansen test of overid. Restrictions AR (2)					0.494 0.694

t statistics in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 9. Performance impacting on executive remuneration. The data form includes the executive director who is also the chairman of the board (2''')

	POOL LOGCASH	FEM LOGCASH	REM LOGCASH	GLS LOGCASH	GMM LOGCASH
LOGTONBINQ	0.108*** (5.47)	-0.00795 (-0.34)	0.0326 (1.60)	0.185*** (16.27)	0.352 (1.52)
N	382	382	382	968	382
Adj -squared	0.271				
Modified Waled Prob>chi2		0.000			
Wooldridge Prob>F		0.000			
Hausman Prob>chi2		0.000	0.000		
Hansen test of overid. Restrictions AR (2)					0.15 0.673

t statistics in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 10. Executive compensation impacts on performance. Sample data without independent board members (3)

	POOL LOGTONBINQ	FEM LOGTONBINQ	REM LOGTONBINQ	GLS LOGTONBINQ	GMM LOGTONBINQ
LOGCASH	0.471*** (6.84)	0.0450 (0.49)	0.371*** (4.62)	0.372*** (11.44)	0.775** (2.11)
N	641	641	641	641	641
Adj -squared	0.3565				
Modified Waled Prob>chi2		0.000			
Wooldridge Prob>F		0.000			
Hausman Prob>chi2		0.000	0.000		
Hansen test of overid. Restrictions AR (2)					0.030 0.548

t statistics in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 11. Executive compensation impacts on performance. Sample data with independent board members (3')

	POOL LOGTONBINQ	FEM LOGTONBINQ	REM LOGTONBINQ	GLS LOGTONBINQ	GMM LOGTONBINQ
LOGCASH	0.437*** (5.65)	0.0638 (1.31)	0.122** (2.38)	0.316*** (12.58)	0.740*** (2.80)
N	709	709	709	709	709
Adj -squared	0.1635				
Modified Waled Prob>chi2		0.000			
Wooldridge Prob>F		0.000			
Hausman Prob>chi2		0.00	0.00		
Hansen test of overid. Restrictions AR (2)					0.418 0.651

t statistics in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 12. Executive compensation impacts on performance. Sample of concentrated ownership data below 10% (4)

	POOL LOGTONBINQ	FEM LOGTONBINQ	REM LOGTONBINQ	GLS LOGTONBINQ	GMM LOGTONBINQ
LOGCASH	0.205*** (2.69)	0.208 (1.49)	0.233** (2.52)	0.248*** (5.66)	-2.199 (-0.59)
N	173	173	173	173	173
Adj -squared	0.3601				
Breusch and Pagan Lagrangian multiplier Prob>chi2		0.000			
Wooldridge Prob>F		0.000			
Hausman Prob>chi2		0.3109	0.3109		
Hansen test of overid. Restrictions AR (2)					0.533 0.707

t statistics in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 13. Performance impacting on executive compensation. Sample of concentrated ownership data below 10% (4')

	POOL LOGCASH	FEM LOGCASH	REM LOGCASH	GLS LOGCASH	GMM LOGCASH
LOGTONBINQ	0.217*** (2.69)	0.0929 (1.49)	0.130** (2.19)	0.298*** (6.07)	0.347* (1.77)
N	173	173	173	173	173
Adj -squared	0.3471				
Breusch and Pagan Lagrangian multiplier	0.000				
Prob>chi2					
Wooldridge		0.000			
Prob>F					
Hausman		0.1575	0.1575		
Prob>chi2					
Hansen test of overid. Restrictions					0.44
AR (2)					0.444

t statistics in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 14. Executive compensation impacts on performance. Sample of concentrated ownership data over 10% (4'')

	POOL LOGTONBINQ	FEM LOGTONBINQ	REM LOGTONBINQ	GLS LOGTONBINQ	GMM LOGTONBINQ
LOGCASH	0.546*** (9.22)	0.0912 (1.62)	0.277*** (4.89)	0.402*** (18.61)	0.143 (0.27)
N	1177	1177	1177	1177	1177
Adj -squared	0.2358				
Modified Wale		0.000			
Prob>chi2					
Wooldridge		0.000			
Prob>F					
Hausman		0.000	0.000		
Prob>chi2					
Hansen test of overid. Restrictions					0.079
AR (2)					0.208

t statistics in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 15. Performance impacting on executive compensation. Sample of concentrated ownership data over 10% (4''')

	POOL LOGCASH	FEM LOGCASH	REM LOGCASH	GLS LOGCASH	GMM LOGCASH
LOGTONBINQ	0.125*** (9.22)	0.0300 (1.62)	0.0779*** (5.29)	0.150*** (15.55)	0.326*** (2.83)
N	1177	1177	1177	1177	1177
Adj -squared	0.2509				
Modified Wale		0.000			
Prob>chi2					
Wooldridge		0.000			
Prob>F					
Hausman		0.0116	0.0116		
Prob>chi2					
Hansen test of overid. Restrictions					0.17
AR (2)					0.867

t statistics in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 16. Executive compensation impacts on business performance. Sample of concentrated ownership data below 15% (5)

	POOL LOGTONBINQ	FEM LOGTONBINQ	REM LOGTONBINQ	GLS LOGTONBINQ	GMM LOGTONBINQ
LOGCASH	0.0998* (1.85)	0.122 (1.40)	0.142** (2.14)	0.152*** (4.47)	0.130 (0.54)
CONCENTRATIONS15	0.0156*** (2.94)	0.00972 (1.30)	0.0119* (1.94)	0.0120*** (3.87)	0.0139* (1.88)
N	307	307	307	307	307
Adj -squared	0.3982				
Modified Waled Prob>chi2		0.000			
Wooldridge Prob>F		0.000			
Hausman Prob>chi2		0.0093	0.0093		
Hansen test of overid. Restrictions AR (2)					0.674 0.370

t statistics in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 17. Performance impacting on executive compensation. Sample of concentrated ownership data below 15% (5')

	POOL LOGCASH	FEM LOGCASH	REM LOGCASH	GLS LOGCASH	GMM LOGCASH
LOGTONBINQ	0.117* (1.85)	0.0716 (1.40)	0.105** (2.17)	0.0914*** (2.68)	0.0736 (0.12)
N	307	307	307	307	307
Adj -squared	0.248				
Modified Waled Prob>chi2		0.000			
Wooldridge Prob>F		0.000			
Hausman Prob>chi2		0.003	0.003		
Hansen test of overid. Restrictions AR (2)					0.267 0.404

t statistics in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 18. Executive compensation impacts on performance. Sample of concentrated ownership data over 15% (5'')

	POOL LOGTONBINQ	FEM LOGTONBINQ	REM LOGTONBINQ	GLS LOGTONBINQ	GMM LOGTONBINQ
LOGCASH	0.608***	0.0865	0.284***	0.448***	0.862*
N	1043	1043	1043	1043	1043
Adj -squared	0.2531				
Modified Waled Prob>chi2		0.000			
Wooldridge Prob>F		0.000			
Hausman Prob>chi2		0.000	0.000		
Hansen test of overid. Restrictions AR (2)					0.312 0.277

t statistics in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 19. Performance impacts on executive compensation. Sample of concentrated ownership data over 15% (5'')

	POOL LOGCASH	FEM LOGCASH	REM LOGCASH	GLS LOGCASH	GMM LOGCASH
LOGTONBINQ	0.127*** (9.29)	0.0274 (1.41)	0.0766*** (5.03)	0.153*** (15.54)	0.370*** (2.96)
N	1043	1043	1043	1043	1043
Adj -squared	0.2463				
Modifed Waled Prob>chi2		0.000			
Wooldridge Prob>F		0.000			
Hausman Prob>chi2		0.0131	0.0131		
Hansen test of overid. Restrictions AR (2)					0.46 0.688

t statistics in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 20. Executive compensation impacts on performance. Samples of concentrated ownership data are below 20% (6)

	POOL LOGTONBINQ	FEM LOGTONBINQ	REM LOGTONBINQ	GLS LOGTONBINQ	GMM LOGTONBINQ
LOGCASH	0.196* (1.84)	0.0494 (0.74)	0.0881 (1.36)	0.151*** (4.03)	-0.864* (-1.79)
N	435	435	435	435	435
Adj -squared	0.1338				
Modifed Waled Prob>chi2		0.000			
Wooldridge Prob>F		0.000			
Hausman Prob>chi2		0.0002	0.0002		
Hansen test of overid. Restrictions AR (2)					0.340 0.473

t statistics in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 21. Performance impacts on executive compensation. Sample of concentrated ownership data below 20% (6')

	POOL LOGCASH	FEM LOGCASH	REM LOGCASH	GLS LOGCASH	GMM LOGCASH
LOGTONBINQ	0.0409* (1.84)	0.0331 (0.74)	0.0474 (1.45)	0.0193* (1.83)	-0.355*** (-2.73)
N	435	435	435	435	435
Adj -squared	0.2610				
Modifed Waled Prob>chi2		0.000			
Wooldridge Prob>F		0.0088			
Hausman Prob>chi2		0.0056	0.0056		
Hansen test of overid. Restrictions AR (2)					0.630 0.684

t statistics in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 22. Executive compensation impacts on performance. Sample of concentrated ownership data over 20% (6'')

	POOL LOGTONBINQ	FEM LOGTONBINQ	REM LOGTONBINQ	GLS LOGTONBINQ	GMM LOGTONBINQ
LOGCASH	0.571*** (10.30)	0.0733 (1.08)	0.362*** (5.64)	0.414*** (14.34)	1.056** (2.54)
CONCENTRATIONL20	0.00670*** (5.30)	-0.00117 (-0.62)	0.00486*** (3.01)	0.00337*** (5.73)	0.00430* (1.65)
N	915	915	915	915	915
Adj -squared	0.3566				
Modified Waled Prob>chi2		0.000			
Wooldridge Prob>F		0.000			
Hausman Prob>chi2		0.000	0.000		
Hansen test of overid. Restrictions AR (2)					0.220 0.266

t statistics in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 23. Performance impacting on executive compensation. Sample of concentrated ownership data over 20% (6''')

	POOL LOGCASH	FEM LOGCASH	REM LOGCASH	GLS LOGCASH	GMM LOGCASH
LOGTONBINQ	0.185*** (10.30)	0.0215 (1.08)	0.0803*** (4.79)	0.181*** (18.42)	0.427*** (3.33)
N	915	915	915	915	915
Adj -squared	0.2616				
Modified Waled Prob>chi2		0.000			
Wooldridge Prob>F		0.000			
Hausman Prob>chi2		0.000	0.000		
Hansen test of overid. Restrictions AR (2)					0.425 0.499

t statistics in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 24. Executive compensation impacts on performance. Sample of centralized State ownership data (7)

	POOL LOGTONBINQ	FEM LOGTONBINQ	REM LOGTONBINQ	GLS LOGTONBINQ	GMM LOGTONBINQ
LOGCASH	0.485*** (5.58)	0.325** (2.27)	0.441*** (4.25)	0.213*** (4.16)	0.177 (0.89)
N	420	420	420	420	420
Adj -squared	0.4390				
Modified Waled Prob>chi2		0.000			
Wooldridge Prob>F		0.000			
Hausman Prob>chi2		0.000	0.000		
Hansen test of overid. Restrictions AR (2)					0.514 0.667

t statistics in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 25. Performance impacting on executive compensation. Sample of centralized State ownership data (7')

	POOL LOGCASH	FEM LOGCASH	REM LOGCASH	GLS LOGCASH	GMM LOGCASH
LOGTONBINQ	0.148*** (5.58)	0.0469** (2.27)	0.0616*** (3.12)	0.149*** (6.38)	0.229* (1.75)
N	420	420	420	420	420
Adj -squared	0.3297				
Modifed Waled Prob>chi2		0.000			
Wooldridge Prob>F		0.0002			
Hausman Prob>chi2		0.000	0.000		
Hansen test of overid. Restrictions AR (2)					0.184 0.256

t statistics in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 26. Executive compensation impacts on performance. The data sample does not have a centralized State (7'')

	POOL LOGTONBINQ	FEM LOGTONBINQ	REM LOGTONBINQ	GLS LOGTONBINQ	GMM LOGTONBINQ
LOGCASH	0.393*** (6.30)	-0.0382 (-0.87)	0.0897* (1.95)	0.308*** (13.65)	0.788* (1.68)
N	930	930	930	930	930
Adj -squared	0.2375				
Modifed Waled Prob>chi2		0.000			
Wooldridge Prob>F		0.0002			
Hausman Prob>chi2		0.000	0.000		
Hansen test of overid. Restrictions AR (2)					0.022 0.275

t statistics in parentheses* p<0.1, ** p<0.05, *** p<0.01

Table 27. Performance impacting on executive compensation. The data sample does not have a centralized State (7''')

	POOL LOGCASH	FEM LOGCASH	REM LOGCASH	GLS LOGCASH	GMM LOGCASH
LOGTONBINQ	0.106*** (6.30)	-0.0263 (-0.87)	0.0700*** (3.24)	0.111*** (8.64)	0.333*** (3.11)
N	930	930	930	930	930
Adj -squared	0.2401				
Modifed Waled Prob>chi2		0.000			
Wooldridge Prob>F		0.0002			
Hausman Prob>chi2		0.0004	0.0004		
Hansen test of overid. Restrictions AR (2)					0.185 0.708

t statistics in parentheses* p<0.1, ** p<0.05, *** p<0.01

Table 28. Executive compensation impacts on performance. Sample of centralized family ownership data (8)

	POOL LOGTONBINQ	FEM LOGTONBINQ	REM LOGTONBINQ	GLS LOGTONBINQ	GMM LOGTONBINQ
LOGCASH	0.486* (1.71)	-0.103 (-0.97)	-0.0314 (-0.30)	0.142 (1.32)	0.225 (0.09)
N	192	192	192	192	192
Adj -squared	0.1311				
Breusch and Pagan Lagrangian multiplier test Prob>chi2			0.000		
Wooldridge Prob>F		0.0105			
Hausman Prob>chi2		0.3957	0.3957		
Hansen test of overid. Restrictions AR (2)					0.534 0.878

t statistics in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 29. Performance impacts on executive compensation. Sample of centralized family ownership data (8')

	POOL LOGCASH	FEM LOGCASH	REM LOGCASH	GLS LOGCASH	GMM LOGCASH
LOGTONBINQ	0.0339* (1.71)	-0.0629 (-0.97)	0.0345 (0.92)	0.0387*** (2.81)	0.181*** (3.82)
N	192	192	192	192	192
Adj -squared	0.4442				
Modified Waled Prob>chi2		0.000			
Wooldridge Prob>F		0.0529			
Hausman Prob>chi2		0.0143	0.0143		
Hansen test of overid. Restrictions AR (2)					0.846 0.342

t statistics in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 30. Executive compensation impacts on performance. The data sample does not have a centralized family (8'')

	POOL LOGTONBINQ	FEM LOGTONBINQ	REM LOGTONBINQ	GLS LOGTONBINQ	GMM LOGTONBINQ
LOGCASH	0.422*** (9.59)	0.0756 (1.35)	0.279*** (5.30)	0.334*** (14.85)	0.0508 (0.15)
N	1158	1158	1158	1158	1158
Adj -squared	0.1615				
Breusch and Pagan Lagrangian multiplier test Prob>chi2			0.000		
Wooldridge Prob>F		0.0529			
Hausman Prob>chi2		0.0143	0.0143		
Hansen test of overid. Restrictions AR (2)					0.110 0.232

t statistics in parentheses * p<0.1, ** p<0.05, *** p<0.01

Table 31. Performance impacting on executive compensation. The data sample does not have a centralized family (8'')

	POOL LOGCASH	FEM LOGCASH	REM LOGCASH	GLS LOGCASH	GMM LOGCASH
LOGTONBINQ	0.177*** (9.59)	0.0253 (1.35)	0.0713*** (4.42)	0.182*** (19.04)	0.281** (2.05)
N	1158	1158	1158	1158	1158
Adj -squared	0.2411				
Breusch and Pagan Lagrangian multiplier test	0.000				
Prob>chi2					
Wooldridge		0.0529			
Prob>F					
Hausman		0.0002	0.0002		
Prob>chi2					
Hansen test of overid. Restrictions					0.225
AR (2)					0.095

t statistics in parentheses * p<0.1, ** p<0.05, *** p<0.01

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