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EFFECT OF MULTIPLE DIRECTORSHIPS ON FINANCIAL PERFORMANCE OF LISTED COMPANIES: THE CASE OF THE VIETNAMESE STOCK MARKET

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This study aims at analyzing the effect of multiple directorships on the financial performance of companies listed on the Vietnamese stock exchange. The panel data is collected from 130 companies listed from 2014 to 2019. The statistics demonstrate that multiple directorships are quite common in Vietnamese stock market. The results of REM show that multiple directorships at the director level measured by the mean number of directorships held by directors have a positive effect on financial performance of listed companies. However, financial performance of listed firms will be negatively influenced when listed companies have a ratio of directors who hold 3 or more than 3 directorships in different companies. This empirical evidence on the Vietnamese stock market supports the reputation hypothesis. Appointing directors who hold many directorships in other companies will bring benefits for the listed company as this company can take advantage of the expertise and relationships of these concurrent directors. This study also provided statistical evidence to support the busyness hypothesis. Therefore, listed companies should consider the decision on appointing more directors with interlocking behaviour when the BOD has many directors holding three or more directorships in different companies.

Keywords: *board of directors, financial performance, multiple directorships, Tobin's Q*

JEL Classifications: *G10, G34, E44*

1. Introduction

Corporate governance is greatly concerned by not only scholars but also enterprises, especially after the collapse of numerous corporations in America such as Worldcom, Enron and Arthur Andersen. In Asia, it is believed that weak corporate governance is one of the major reasons for the Economic crisis in 1997. In Vietnam, corporate governance is a current issue in the discussions of government officials, particularly when the government commits to accelerating the reform of the state-owned enterprises or "equitization". Regarding the joint stock companies, on behalf of the company, board of directors (BOD) is the highest management part to make decisions, implement the rights and obligations without the authorization of General Meeting of Shareholders (According to Article 149 Law on Vietnamese enterprises no.68/2014/QH1). The mission of BOD is to set strategies, supervise and orientate the whole company. In terms of regulations, BOD is the highest governing part of an enterprise, protecting its benefits and assets to ensure that the investment is profitable (Campbell and Mínguez-Vera, 2008). However, directors enable to participate in different boards of directors, which results in multiple directorships and centralizing power on just a small group of people. Individuals who support the multiple directorships say that this network has actually brought economic benefits for related companies, allowing a pool of talented and experienced people with their social relations, which leads to better financial performance for the company. Nevertheless, some disagree with the above viewpoint as they believe that centralizing power is not transparent and does not focus on accountability (Tricker and Tricker, 2015).

Recently, it is hard for the researchers to identify specific standards to help enterprises appoint directors to hold multiple positions in board of directors in different companies to bring efficiency. Many studies of various scholars in the world have considered the impact of directors holding more directorial positions on financial performance of enterprises (Ferris et al., 2003, Perry and Peyer, 2005, Fich and Shivdasani, 2006). However, the results from previous studies have been inconsistent. Some have found that interlocking directors have a positive impact on financial performance (Ferris et al., 2003, Sarkar and Sarkar, 2009, Latif et al., 2020). By contrast, the results of some researchers prove that directors who hold many directorships will reduce their ability to supervise and manage effectively, which results in decreasing the performance of finance (Fich and Shivdasani, 2006, Jiraporn et al., 2008). Therefore, it is necessary to have more empirical evidence about the effect of multiple directorships (interlocking directors) on financial performance in different financial markets.

As the structure of directors and the governing path are different between companies and this cannot be stereotyped due to the difference in many aspects of each country. The question that receives great concern from researchers as well as policy makers is whether companies should appoint directors who are concurrent in BOD of other companies in Vietnam; and whether interlocking directors will bring benefits for companies or not. Particularly, in the Vietnamese stock exchange, this perspective has not been yet paid much attention. Therefore, implementing research on the effect of multiple directorships on financial performance in Vietnam provides not only empirical evidence in terms of this topic but also the foundation for public firms in Vietnam when considering the appointment of directors.

2. Theoretical model

2.1. Definition of multiple directorships

According to Mizruchi (1996), 'multiple directorships' refer to a situation in which an individual is both a director of this company and a director of another company. Tricker and Tricker (2015) explain more apparently regarding this matter, 'multiple directorships' is understood as a number of individuals concurrently participate in BOD in different companies. The simplest form is that a director of company A is also a director of company B, and vice versa. Directors who are concurrent in BOD of different companies will create useful information networks as they have accumulated experience and knowledge from many simultaneous organizations, which is an extremely vital resource to advise, establish, and set business strategies effectively for the company. Interlocking behavior is a totally legal practice, provided that there is no regulation in the company that prevents interlocking behaviour and those companies do not compete with the others. In Vietnam, Clause 3, Article 12 of Decree 71/2017/ND-CP on corporate governance guidelines applying for public companies mentioned that directors of a public company are not allowed to hold more than 5 directorial positions, coming into force and effective since August 01, 2017. However, this law is stimulated to be in effect after 2 years, which means that it is most likely that a number of directors of one company are able to hold more than 5 directorships. Consequently, this context has promoted the necessity of the research about interlocking directors.

2.2. Measurement of multiple directors

The previous scholars have measured multiple directorships in two levels which are the director level and the board level:

- At the director level: There are some measurements conducted in previous studies. First, interlocking directors are measured by the ratio of the total number of directorships held by the board to the total number of directors in the company (Ferris et al., 2003, Non and Franses, 2007, Jiraporn et al., 2008). Besides, to focus on the supervision of independent directors, multiple directors are measured by the ratio of the total number of directors held by independent directors to the total number of independent directors in the company (Sarkar and Sarkar, 2009, Lei and Deng, 2014). The last measurement is to consider the average number of directorships to total executive directors (Sarkar and Sarkar, 2009).

- At the board level: This approach measures multiple directorships by two methods. First, it is measured by the ratio of directors holding more than 3 directorships (Ferris et al., 2003). Another measurement is to use a dummy variable, if there are more than 50% of directors holding more than 3 directorships in the company, it receives value 1; if not, it would get value 0 (Ferris et al., 2003, Fich and Shivdasani, 2006).

2.3. The effect of multiple directorships on financial performance

In the previous studies, the results on the effects of multiple directorships on financial performance have not been consistent. Several studies have provided evidence that interlocking directors have a positive effect on firm performance. According to the Reputation hypothesis, the BOD held by a director is indicative of their reputation. These individuals have accumulated experience and knowledge from being directors of other boards in different companies. Consequently, they will be able to make better strategic decisions that contribute to increasing corporate value (Latif et al., 2020). Similarly, Fama and Jensen (1983) also argued that directors who are concurrent in BOD of many companies have higher supervisory abilities and management expertise. They have a strong motivation to effectively perform assigned tasks to build their reputation, thereby providing them with credibility, vision, and commercial relationships (Mace, 1986). Masulis and Mobbs (2011) provide empirical evidence that directors holding multiple positions in many companies have a positive impact on financial performance.

Another advantage of interlocking directors is supported by Resource dependence theory. This advantage can be obtained from the information networks and the linkage between companies from directors holding many directorial positions of boards in many companies. The board network has proven to be an important information channel that conveys new corporate practices, strategies and business opportunities (Mizruchi, 1996). In addition to providing rights to access to information, directors who join boards in different companies can increase the relationships with stakeholders (Field et

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al., 2013). Furthermore, meetings with other boards also allow directors to access broader knowledge from companies connected so that they can effectively develop their expertise (Sarkar and Sarkar, 2009). In addition, interlocking directors bring more experience and knowledge to provide better advice. Particularly, companies with complex structures and high consulting requirements may be benefited from the appointment of interlocking behaviour. Moreover, Field et al. (2013) demonstrate that companies issuing initial public offering (IPO) often lack necessary experience in the stock market, so the selection of interlocking directors will contribute to increasing competitiveness and taking advantage of limited resources of companies effectively.

However, some studies give the opposite assumptions that directors concurrently hold multiple directorships in many different companies will be detrimental to the company. The busyness hypothesis, as mentioned by Fich and Shivdasani (2006), suggests that individuals who concurrently participate in BOD in different companies may fail to perform delegated duties to ensure shareholder interests due to their limited time and efforts. The busyness hypothesis states that multiple directorships can influence supervisory and management abilities. As a result, managers can take advantage of ineffective supervision to maximize personal interests and reduce the interests of shareholders. The opportunistic behaviors of managers will undermine the value of firms and cause the depletion of free cash flow into ineffective investments (Jensen, 1986). Therefore, this hypothesis predicts that directors holding many simultaneous positions will negatively affect firm performance. There are a few studies supporting the busy hypothesis. Fich and Shivdasani (2006) found that interlocking directors have a negative influence on financial performance. Similarly, Jiraporn et al. (2008) provide evidence that directors who hold many positions in boards in different companies make the financial performance decreased.

The second factor relates to the training cost so that directors can properly complete the assigned tasks. For independent directors holding many directorial positions in different companies, when participating in BOD, they may experience the asymmetry of information relating to the company they manage. Therefore, in order to make a strategic decision for a company, they must rely upon the CEO or other executive directors to be provided with relevant information (Fama and Jensen, 1983). However, transferring information between independent directors and executive directors can involve huge costs, and adequate information sharing is rarely achieved (Armstrong et al., 2010). Therefore, independent directors must make decisions even though the information is incomplete and thus can lead to a negative impact on firm performance.

In general, the empirical results of previous studies examining the impact of multiple directorships on financial performance are heterogeneous. A few studies supporting the reputation and resource dependence hypothesis suggest that firms with directors holding multiple positions in different firms can increase financial performance. Meanwhile, other studies show the negative impact of interlocking directors on financial performance when the proportion of directors holding multiple directorships accounts for a high percentage or exceeds 50% in the BOD. For those reasons, researches on this topic need to be implemented.

2.4. Theoretical framework and hypotheses development

The regulations and guidelines of corporate governance around the world are limited to the number of directorships in listed companies, particularly directors can hold from 3 to 5 directorships in other public companies depending on the regulations of each country. In Vietnam, as mentioned in Article 12 of Decree 71/2017/ND-CP, directors of a public company are not allowed to hold more than 5 directorships. However, as Vietnam is considered an emerging market economy, companies in Vietnam have struggled with supply constraints in the senior labor market. Therefore, adding more directors who hold more positions is one of the options to help the company increase its resources.

Previous researches on BOD has shown that the use of knowledge, professional skills and personal efforts is an important prerequisite for directors to effectively perform their assigned tasks. From this perspective, directors holding more than one position in different companies can bring valuable resources to BOD (Forbes and Milliken, 1999). According to the General Statistics Office (Ministry of Planning and Investment) on the socio-economic situation in the fourth quarter of 2019, small and medium-sized enterprises currently account for 97% of the total number of operating enterprises in Vietnam. In the context of economic integration, those enterprises may have a high need of consultation and finance to implement the strategies of scale development and international expansion. As a result, those companies will be able to benefit from directors holding more directorial positions in many simultaneous companies. This is because they have specialized knowledge, rich experience, and an excellent reputation, thereby proposing policies and strategies to help companies improve financial performance (Lee and Lee, 2014). In addition, directors holding too many directorships in different companies will provide companies with useful information sources, which helps minimize the information asymmetry and reduce agency costs (Lei and Deng, 2014).

In addition, family firms have significantly contributed to the economic development in Vietnam. Many family firms in Vietnam often start their business from small production establishments but then developing into big corporate brands such as KIDO and VINGROUP. Importantly, those firms have involved multiple directorships in their BOD. In KINH DO Group, the average number of directors holding 02 directorships and the proportion of directors holding 03 directorial positions in other companies account for 25%. For VINGROUP, the average number of directors holding 03 directorships and the proportion of directors holding 03 directorships in other companies is about 33% (Statistics in the period of 2014 - 2019). Due to being an emerging economy, Vietnam can be dominated by supply constraints in the labor market at the managerial level; therefore, a company can have directors concurrently holding many directorships. This is an important resource in consulting, establishing and setting business strategies for the company, contributing to enhancing the financial performance of those companies. This study approaches multiple directorships on two levels, so the hypotheses are supposed as follows:

H1a: The higher the average number of directors holding too many directorships is, the better financial performance achieves.

H1b: The higher the proportion of directors holding more than three directorships in different companies is, the better financial performance achieves.

Based on the hypotheses, the research model is presented below (Figure 1):

3. Methodology

3.1. Data collection

The study uses panel data collected from reports of firm performance, balance sheets, notes to financial statements, annual reports and governance reports in the period from 2014 to 2019 of listed companies on the Ho Chi Minh City Stock Exchange (HOSE) and the Hanoi Stock Exchange (HNX) according to the following criteria:

- The companies' fiscal year ends on December 31 annually and there is no change in the fiscal year during the period;

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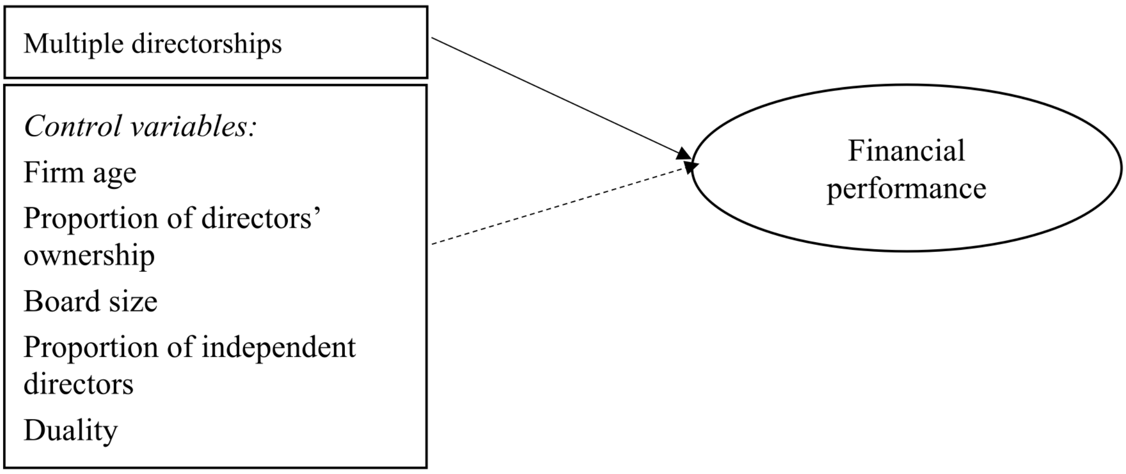

Figure 1: *The proposed research model*

- Business operations were not interrupted during the period;

- As of December 31, 2019, HOSE and HNX had 717 listed companies in all sectors. After excluding listed companies that disclosed incomplete information, the total number of listed companies used in the study is 130 companies. Thus, in the period of 6 years, the total number of observations of the study is 780.

The board tenure usually extends 5 years. Then, the author chooses the research timeline in the period of 2014 - 2019 to ensure the change of the independent variables. When the independent variables have a change, the estimation method in this study will be meaningful.

3.2. Data analysis

3.2.1. Measurement of financial performance and multiple directorships

Tobin's Q is used to measure financial performance, which is defined as the ratio of the market value of equity and debt divided by the replacement cost of assets (Capulong et al., 2000). However, because the debt trading market of Vietnam has not been completely formed and it is difficult to have a basis to determine the market value of debt. So, according to Capulong et al. (2000), the calculation of Tobin's Q will meet many difficulties. Tobin's Q has been also applied in previous studies such as Zeitun and Tian (2007) and Nguyen (2017). Accordingly, Tobin's is calculated by the market value of equity plus the book value of debt divided by the book value of assets. Tobin's Q which is greater than 1 indicates that firms are performing efficiently and vice versa, Tobin's Q's being less than 1 shows ineffective performance and low resource use. The biggest advantage of Tobin's Q is to measure the investment sensitivity which is reflected by expectations on future profits based on present profits. So, using Tobin's Q's to represent firm performance is consistent.

Multiple directorships are measured by two levels including the director level and the board level. At the director level (DIRBUSY), it is measured by the ratio of the total number of directorships held by the board to the total number of directors in the company (Ferris et al., 2003, Non and Franses, 2007, Jiraporn et al., 2008). This measurement can be used to estimate the average number of directors which is held by each director of the board, thereby getting a more comprehensive view of the relationship between those members and financial performance, and their roles in the company. In addition,

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with an emerging economy, Vietnam may be affected by supply constraints in the labor market at the managerial level, so directors in companies can hold too many directorial positions in different companies (Latif et al., 2020). Therefore, this method will consider the general impact of all directors, regardless of whether the director is an independent director or an executive one.

At the board level (BOARBUSY), multiple directorships are measured by the proportion of directors holding from more than three directorships in other companies. This measure can estimate the proportion of directors holding from more than three directorships and then consider the relationship between busy directors and financial performance. (Ferris et al., 2003).

3.2.2. Data analysis

First, the Pooled OLS estimation is used. This is also the popular method chosen by many previous scholars to study the effect of multiple directorships on financial performance of listed companies (Ferris et al. (2003), Andres et al. (2013) hay Latif et al. (2020)). However, this method ignores the factors of time and space of the panel data, which can lead to autocorrelation or make the research model erroneous because assumptions are too strict. Furthermore, when using this method, factors that cannot be collected or the specific influences of each firm are not taken into account, whereas it is a frequent phenomenon in experimental research (Baltagi, 2008). To solve this problem, Fixed Effects Model (FEM) and Random Effects Model (REM) are conducted. The regression equation is presented as follows:

$$\text{Tobin's } Q_{it} = \beta_0 + \beta_1 MD_{it} + \beta_2 FIRM\ AGE_{it} + \beta_3 OWN_{it} + \beta_4 BSIZE_{it} + \beta_5 INED_{it} + \beta_6 CEODUALITY_{it} + \varepsilon_{it} \quad (1)$$

Where Tobin's Q represents financial performance of firms, and independent variables are multiple directorships at the director level and at the board level (Measurements are shown in table 3.2.1).

For control variables, firm age (AGE) is measured by the number of years that a firm has been officially operating. Having existed in the market for a long time, a company can prove its reputation and qualification. Nguyen and Bui (2020) believe that firm age has a positive relationship with firm performance. In addition, as stated by Ghafoorifard et al. (2014), The longer years a firm has been operating, the more experience it has learned from its competitors and the more strengths that firm has itself discovered, which impacts positively on firm performance.

The proportion of directors' ownership (OWN) is calculated by the total number of shares owned by directors divided by the total number of shares of the company. The large number of shares owned by directors can increase their incentive to supervise the executive board, which can limit their self-interested behavior, thereby increasing firm performance (Brickley et al., 1988). Jensen and Meckling (1976) think that when managers increase their ownership, they will share interests with shareholders and invest in more projects to maximize corporate value or increase the efficiency of the board. However, when directors hold a huge percentage of shares, the phenomenon of "management entrenchment" can occur. Definitely, when the ratio of ownership is higher than normal, directors will take advantage of their power to increase personal interests, which is bad for firm performance. (Short and Keasey, 1999). As a result, this variable can be considered a factor affecting firm performance.

Board size (BSIZE) is measured by the total number of directors in BOD. Research by Garg (2007) and Cheng (2008) shows that board size has a negative impact on firm performance. Companies with large board sizes may encounter problems with communication, cohesion, development and concentration (Lipton and Lorsch, 1992, Yermack, 2008). However, other studies suggest that the main role of the board is to provide strategic orientation and supervise the executive directors. Therefore, the larger size of the board is, the better the monitoring mechanism will be compared to the smaller size (Pfeffer, 1972, Klein, 1998). The study of Setia-Atmaja (2008) with 316 listed firms in Australia and the research of Kalsie and Shrivastav (2016) with a sample of 145 non-financial firms in India give the results that board size positively affects financial performance. According to the theory of resource independence, According to the resource dependency theory, the board is one of the resources that influence other resources in the company, so the larger size of the board is, the more effective the resource use can be (Goodstein et al., 1994), in other words, there is a positive relationship between board size and financial performance (Orozco et al., 2018).

The proportion of independent directors (INED) is defined by the total number of independent directors who do not participate in the executive board and do not own any share divided by the total number of directors in the company. Independent directors are often experts in specific fields, and they are able to promote their specialist strengths in controlling and supervising the executive board in implementing decision-making (Fama and Jensen, 1983). Furthermore, the study of Lefort and Urzúa (2008) in Chile finds positive relationships between independent directors and financial performance. That means that increasing the proportion of independent directors will help a firm increase its market value. However, several studies show that there is no statistical evidence to explain the relationship between independent directors and financial performance such as Hermalin and Weisbach (1991) hay Klein (1998).

Duality (DUALITY) is measured by a dummy variable, if the chairman of the board is also the CEO of a firm, it receives value 1; if not, it would get value 0. According to agency theory, duality would impair the independence of the board because the general director may have a broader scope of control. According to agency theory, duality would impair the independence of the board because the general director may have a broader scope of control. This argument supports the separation between the chairman and CEO as this separation can create a balance control mechanism, avoiding abuse of power focused on one person that leads to non-transparency and information asymmetry. The studies of Fama and Jensen (1983) and Dahya and McConnell (2005) state that the chairman of the board should not be simultaneously the CEO of a firm. Therefore, duality is predicted to have a negative relationship with financial performance.

4. Results and discussions

4.1. Descriptive statistics

The statistical description in Table 1 shows that Tobin's Q index of companies listed on the Vietnamese stock exchange receives the min value being 0.192 and the max value being 5.24 times, while the mean is 1.14 times. This implies that the market value of listed companies in Vietnam is still low and does not bring much value to shareholders.

Multiple directorships at the director level are measured by the ratio of the total number of directorships held by the board to the total number of directors in the company. Companies listed on the Vietnamese stock exchange in the period of 2014-2019 have directors holding more than two directorships (the mean value is 2.82). This result is higher than in the study by Ferris et al. (2003) in the US with the mean being 1,89 and lower than in the research of Sarkar and Sarkar (2009) in India with the mean value being 5. With the min value, directors just hold only 1 directorship while with the max value, directors can hold 7 directorial positions. Apparently, some listed companies have not applied Clause 3, Article 12 of Decree 71/2017/ND-CP

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which states that directors in a public company are not allowed to hold more than 5 directorial positions.

At the board level, multiple directorships are measured by the proportion of directors holding from more than three directorships in other companies. For listed companies on the Vietnamese stock exchange in the period 2014-2019, the mean value of directors holding more than three directorial positions is 29%. This figure is much higher than that of Ferris et al. (2003) for the developed economy like the US (14,97%). All companies are noted to have 100% of directors holding 3 or more than 3 directorships. This reflects that Vietnam's economy may be dominated by supply constraints in the labor market at the managerial level. Furthermore, in Vietnam, the business is mainly family-owned. Therefore, the proportion of directors holding many directorial positions in listed companies may be higher than that in developed countries.

The results of data processing show the large correlation coefficient between the two independent variables (multiple directorships at the director level and multiple directorships at the board level). Therefore, to avoid multicollinearity in the research model, the two independent variables are analyzed separately. Therefore, the next part will present the results of estimating model (1) separately for two independent variables.

4.2. Results and discussions

4.2.1. The effect of multiple directorships at the director level on financial performance

Before the regression is conducted, the correlation coefficient between the independent variable (DIRBUSY) and the control variables is checked. The correlation coefficients between the independent variable and the control variable are low, so multicollinearity does not occur in the research model.

Table 1: *Descriptive statistics*

Variable	Mean	Std. Dev	Min	Max
Dependent variable				
Tobin's Q	1.142	0.551	0.192	5.242
Independent variables				
Multiple directorships at the director level	2.282	1.145	1.000	7.333
Multiple directorships at the board level	0.290	0.257	0	1
Control variables				
Firm age	24.654	12.425	6	59
The proportion of directors' ownership	0.103	0.132	0.000	0.698
Board size	5.867	1.351	3	11
The proportion of independent directors	0.199	0.190	0.000	0.800
Duality	0.169	0.375	1	0

Source: Data processing (2021) from 130 listed companies on Vietnamese stock exchange in the period of 2014-2019

The results of the Pooled OLS model in Table 2 show that the variable 'multiple directorships at the director level' is statistical significance at 10%. For control variables, firm age and board size receive the significance level at 1%, and the proportion of independent directors is statistical significance at 5%. Those variables all have a positive impact on financial performance. However, the proportion of directors' ownership and duality impact negatively on financial performance.

Next, model (1) is evaluated using Fixed Effects Model (FEM) and Random Effects Model (REM). The Hausman test is used to choose one of two models. The test result for P-value is 0.004, which means that the REM model is considered more suitable. Estimated results by REM method are similar to Pooled OLS; however, three control variables (the proportion of directors' ownership, the proportion of independent directors, and duality) are not statistically significant. This implies that controlling factors of time and space in panel data is necessary.

The statistical evidence in column 3 of Table 2 shows that the independent variable 'multiple directorships at the director level' has a positive impact on financial performance with a significance level of 1% ($\beta1 = 0.064$). This means that directors holding too many directorships in many other companies contribute to better financial performance. The results support the theory of reputation and resource dependence. Directors holding more directorial positions in other companies on Vietnamese stock exchange can accumulate knowledge and experience from many organizations, which is an important resource for consulting, setting business goals and strategies, thereby contributing to increased financial performance. This result is similar to the study conducted by Ngo et al. (2018) in Vietnam, Ferris et al. (2003) in the US, and Lei and Deng (2014) in Hongkong.

An estimated coefficient of firm age is 0.005 at the significance level of 10%. Therefore, the longer a company has operated, the better its firm performance is. The results are similar to the study of Nguyen and Bui (2020), they also state that firm age impacts positively on financial performance. In addition, the estimated coefficient of board size is statistically significant at 10% and has a positive impact on financial performance. This means that in Vietnam, the larger size of the board can help increase the market value of the company. Some

Table 2: *Estimated results with multiple directorships at the director level*

Variable	Pooled OLS	FEM	REM
	(1)	(2)	(3)
Multiple directorships at the director level	0.028*	0.080***	0.064***
Firm age	0.009***	-0.012*	0.005*
The proportion of directors' ownership	-0.349**	0.212	-0.033
Board size	0.061***	0.017	0.030*
The proportion of independent directors	0.234**	0.053	0.034
Duality	-0.126**	-0.059	-0.064
Constant	0.508***	1.135***	0.705***

Source: Data processing (2021) from 130 listed companies on Vietnamese stock exchange in the period of 2014-2019

*Note: ***, ** and * respectively indicates the significance level at 1%, 5% and 10%*

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previous studies such as the study of Setia-Atmaja (2008) in Australia and Kalsie and Shrivastav (2016) in India also give the same results.

There is no evidence to show the effect of the proportion of directors' ownership and the proportion of independent directors on the market value of listed companies. However, Duality is a variable that has a negative influence on the market value of listed companies. Therefore, the separation between the chairman and CEO is necessary as this separation can create a balance control mechanism, avoiding abuse of power focused on one person. However, the estimated coefficient of this variable is no longer statistically significant when the REM model is applied.

4.2.2. The effect of multiple directorships at the board level on financial performance

The regression results in Table 3 show that multiple directorships at the board level negatively affect the market value of listed companies. Therefore, BOD having more than 50% of directors holding from 3 or more directorial positions in other companies will have a negative effect on the market value of the company. This evidence supports the busyness hypothesis. Holding many directorships in many companies makes the quality of supervision, management and decision-making decreased, thereby reducing the market value and the wealth of shareholders (Ferris et al., 2003, Fich and Shivdasani, 2006). This result is inverse with the expectation but similar to previous studies of Pombo and Gutiérrez (2011) and Lee and Lee (2014) when considering the influence of multiple directorships at the director level and at the board level. The effect of control variables on the market value in Table 4 in which the independent variable is multiple directorships at the board level is not very different from the result of model (1) when the independent variable is multiple directorships at the director level[1].

Table 3: *Estimated results with multiple directorships at the board level*

Variable	Pooled OLS	FEM	REM
	(1)	(2)	(3)
Multiple directorships at the board level	-0.045	-0.179**	-0.159**
Firm age	0.008***	-0.008	0.005*
The proportion of directors' ownership	-0.369**	0.267	-0.016
Board size	0.061***	0.017	0.032**
The proportion of independent directors	0.283***	0.048	0.056
Duality	-0.107**	-0.060	-0.061
Constant	0.578***	1.266***	0.881***

Source: Data processing (2021) from 130 listed companies on Vietnamese stock exchange in the period of 2014-2019

*Note: ***, *** respectively indicate the significance level at 1%, 5% and 10%*

In addition, when model (1) is conducted by using dummy variable to measure multiple directorships at the board level (if there are more than 50% of directors holding more than 3 directorships in the company, it receives value 1; if not, it would get value 0), the results indicate that listed companies with more than 50% of directors holding more than 3 directorships have lower the market value compared to companies with the proportion of directors holding from 3 directorial positions being lower than 50%.

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5. Managerial implications and conclusion

This topic studies the influence of interlocking directors on financial performance of listed companies on the Vietnamese stock market, using the data collected from 130 listed companies in the 2014 - 2019 period. The statistics show that companies listed on the Vietnamese stock exchange in the period of 2014-2019 have directors holding more than two directorships. In addition, the number of listed companies with more than 50% of directors holding more than 3 directorships accounts for about 21% of the sample, which demonstrates that interlocking behaviour is quite common in Vietnam.

The analysis results by REM show that multiple directorships at the director level have a positive effect on the market value of listed companies. In other words, directors who hold more directorships in many other companies can enhance the market value of the company. However, when considering multiple directorships at the board level, the larger the proportion of directors holding more than 3 directorships is, the market value of listed companies on the Vietnamese stock exchange will be reduced. This implies that when listed companies want to appoint new directors, they should carefully consider directors with interlocking behaviours to limit in situations that directors are too busy to supervise and manage the company. In addition, firm age and board size are found to have a positive effect on financial performance of listed companies. However, there is no statistical evidence on the effect of the proportion of directors' ownership, the proportion of independent directors, and duality on the financial performance.

Based on the results, some implications for listed companies as well as for shareholders have been proposed. Specifically, listed companies should consider appointing directors holding many directorships in order to take advantage of their professional resources to improve financial performance. However, the company also needs to consider the directorial structure, especially in the case when the company has many directors holding from three directorships in different companies. Besides, companies need to choose the board size that suits the firm size. The board with a large size can be one of the most important sources affecting the efficiency of other resources in the company because BOD can maximize their relationships and expertise of directors to help enhance financial performance.

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Summary

Mục tiêu của nghiên cứu này là phân tích sự ảnh hưởng của quản trị chéo đến hiệu quả tài chính của các công ty niêm yết trên sàn chứng khoán Việt Nam. Số liệu được thu thập từ 130 công ty niêm yết giai đoạn từ năm 2014 đến năm 2019. Số liệu thống kê cho thấy quản trị chéo khá phổ biến trên thị trường chứng khoán Việt Nam. Kết quả phân tích của mô hình REM cho thấy quản trị chéo ở cấp độ cá nhân thể hiện thông qua chỉ tiêu số lượng vị trí thành viên hội đồng quản trị (HĐQT) trung bình mà các thành viên HĐQT có ảnh hưởng tích cực đến hiệu quả tài chính của các công ty niêm yết. Tuy nhiên, hiệu quả tài chính của công ty sẽ bị ảnh hưởng tiêu cực khi công ty niêm yết có tỷ lệ thành viên HĐQT nắm giữ từ 3 vị trí thành viên HĐQT trở lên ở các công ty khác nhau quá nhiều. Điều này cho thấy bằng chứng thực nghiệm trên thị trường chứng khoán Việt Nam ủng hộ giả thuyết danh tiếng. Việc bổ nhiệm thành viên HĐQT có kiêm nhiệm vị trí thành viên HĐQT ở công ty khác sẽ mang lại lợi ích cho công ty niêm yết vì công ty có thể hưởng lợi từ chuyên môn và các mối quan hệ của các thành viên kiêm nhiệm này. Tuy nhiên, nghiên cứu này cũng cung cấp bằng chứng thống kê ủng hộ giả thuyết bận rộn. Do đó, các công ty niêm yết cần cân nhắc việc bổ nhiệm thêm thành viên HĐQT có quản trị chéo khi HĐQT đã có quá nhiều thành viên nắm giữ từ 3 vị trí thành viên HĐQT trở lên ở các công ty khác nhau.

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