



Original Article

The Impact of Business Strategy on Firm Performance of Listed Firms in Vietnam

Nguyen Vinh Khuong^{1,2,*}, Le Phan Minh Thu^{1,2}, Luong Bao Han^{1,2},
Nguyen Thuy Minh Dan^{1,2}, Pham Truc Mai^{1,2}, Tran Nguyen Hieu Thao^{1,2}

¹University of Economics and Law, Ho Chi Minh City, Vietnam,
Quarter 3, Linh Xuan Ward, Thu Duc Dist., Ho Chi Minh City, Vietnam

²Vietnam National University, Ho Chi Minh City, Vietnam,
Linh Trung Ward, Thu Duc Dist., Ho Chi Minh City, Vietnam

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Abstract: This study was conducted to contribute empirical evidence of the impact of Michael Porter's business strategy on performance in Vietnamese listed firms. Based on data from 620 firms on the Vietnamese stock exchange from 2010 to 2019, we use a quantitative research method to demonstrate the positive association between performance and differentiation strategy. We found cost leadership strategy has no meaning. Based on the results, we make implications for listed firms and regulatory agencies which will contribute to improving firm performance.

Keywords: Business strategy, cost leadership, differentiation, firm performance, listed firm, Vietnam.

1. Introduction

In the current new era, the business environment is constantly moving, transactions are constantly being created and implementation is becoming increasingly difficult and complicated. In this ever-changing environment - a characteristic of today's global economy - businesses are faced with fierce competition pressure. Therefore, having a strong competitive advantage is an important task for top management [1]. On the other hand,

using business strategy is a way to ensure a sustainable competitive advantage - by investing in the resources needed to develop the main capabilities of the business, and if the advantage is sustainable, it will lead to superior long-term firm performance [2]. Specifically, Allen (2007) found that the lack of focus on business strategy was the main reason for the collapse of some Japanese businesses [3]. Meanwhile, Japanese iconic businesses e.g Honda, Sony and Nintendo have "risen to global dominance through the development and determination of their business strategy".

However, up to now, while there have been many studies on the impact of business strategy

* Corresponding author.

E-mail address: khuongnv@uel.edu.vn

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on financial performance, conclusions have not yet been reached or results are mixed and non-generalized due to heterogeneity in measurement. Helms et al. (1997) proposed a mixed strategy (cost leadership strategy and differentiation strategy) for best performance [4]. Thornhill and White (2007) argue that a strategy aimed at low cost and firm performance brings better performance [5]. In an investigation by Banker et al. (2014) they suggest that product differentiation strategies provide more sustainable performance than cost leadership strategies [6], as firm performance sources can be copied by competitors [7] or better new sources appear [8]. On the other hand, there has been a lot of research so far showing that pursuing one of Porter's generic competitive strategies - included differentiation strategy or cost leadership strategy, allows a business to achieve better performance [9-12].

In Vietnam, researches on firm performance are rarely mentioned. If any, they only focus on other influencing factors. Almost no research has been fully focussed on the relationship between business strategy and firm performance, especially using the research sample of listed firms on the stock market of Vietnam. Specifically, in recent years, listed firms in Vietnam, in the process of doing business, always set for themselves the goal of both expanding business and improving performance to the highest level, and making efforts to accomplish those goals. However, businesses only expand business on the basis of expanding markets, business items, business forms and so on, but do not focus on improving performance. This is a dilemma for all businesses, as well as for management.

Previous studies on the relationship between business strategy and financial performance are measured through returns on assets, using Tobin's q-coefficient and Porter's business strategy (cost leadership, differentiation). The conclusion is positively correlated [6, 13-16]. This study aims to evaluate the direction of impacts of two groups of business strategies-Michael Porter (cost leadership, differentiation) and on the financial

performance of companies on Vietnam's stock market, based on the quantitative research method in accordance with the table data and data of 620 listed firms. The financial statements were published in the period 2010-2019.

2. Theoretical Framework and Hypotheses Development

2.1. Theoretical Framework

Resource - Based Theory

The theory of resources stemming from economics and governance from Barney's representative has been applied and proven in many different fields and industries. The main ideology of this theory is when the market position is high or low, does a firm's competitive advantage rely mainly on how effectively the enterprise uses a set of tangible or valuable non-tangible resources? Enterprises will succeed if equipped with the most appropriate resources and know-how to combine resources more effectively than competitors. Resource theory focuses on the internal elements of a business, showing that organizations must develop the company's unique core competencies that make them outperform their competitors by doing it differently.

Contingency Theory

This theory was first mentioned in the mid-1960s by Fred Fiedler, a scientist who specialized in the study of the personality and characteristics of leaders. Fiedler's contingency theory defines the behaviors (styles) of leaders, then identifies the key elements of the situation attached to that leadership style to achieve efficiency. Therefore, for leadership to be effective, one must define each person's leadership style and put them in the right context for that style to address a specific situation. This effect is the outcome of two elements - "leadership style" and "solving the situation in the direction of good prospects" (later called "controlling the situation").

Game Theory

In 1950 to 1951, the definition of an optimal strategy for the game was developed by

John Nash, that later became known as the “Nash equilibrium” in 1994. The strategy is accepted by competitors participating in the game. Game theory can be applied in economics to analyze issues related to the formation of the market strategies of competitors that depend on each other. Game theory is used in the economic analysis of decision making, an analytical tool in interactive situations and business strategy selection, in which players use strategic thinking to bring about the greatest benefit for themselves in the context of the other party and who also act for their own interests without regard for the benefits of others.

2.2. Hypotheses Development

Following the theory and previous studies, the research hypothesis is formulated as below:

Banker et al, based on 12,849 observations of the operating years on exchanges in US such as NYSE, AMEX and NASDAQ from 1989 to 2003, studied the relationship between positioning business strategy and the sustainability of financial performance [6]. In particular, the authors used Michael Porter’s overall competitive strategy [9, 10] including cost leadership strategy and differentiation strategy. These strategies are distinguished and measured according to Balsam et al. (2011) [15], three ratios (net revenue/cost of capital of PPE, net revenue/net value of factory and equipment, number of employees/total assets) representing the cost leadership strategy and three ratios (selling and management expenses/net sales, R&D costs/net sales, net sales/cost of goods sold) representing a differentiation strategy. In addition, return on assets (ROA) is a measure of financial performance. The results show that cost leadership strategy and differentiation strategy have a positive impact on financial performance. This shows the important trade-off that managers have to make in making decisions regarding the allocation of business resources.

Asdemir et al, based on 31,113 years of operation of 4,536 unique companies (excluding CRSP data) between 1989 and 2009, studied the importance of a business strategy

for the pursuit of competitive advantage and financial performance, as well as market awareness [13]. Specifically, the author operated Michael Porter’s overall competition strategy [9, 10] including cost leadership and differentiation. According to Balsam et al. (2011) [15], the author used three ratios (net revenue/capital cost of PPE, net revenue/net value of factory and equipment, number of employees/total assets) representing the cost leadership strategy, and three ratios (selling and management expenses/net sales, R&D costs/net sales, net sales/cost of goods sold) representing a differentiation strategy. Moreover, the research shows that although the market appreciates the strategy of differentiation, it still underestimates the difference, leading to abnormal returns in the future.

Birjandi et al, based on 45 companies on the Tehran stock exchange (TSE) - Iran, in the period of 2003-2010, studied the impact of business strategy on the relationship between financial leverage and financial performance [14]. Specifically, the strategies of companies are classified according to Michael Porter’s [10] overall competition strategy including cost leadership strategy and differentiation strategy. In addition, the independent variable is financial leverage built on the book value of debt and assets. On the other hand, the dependent variable of financial performance is represented by the ratio of the firm's market value and the book value of total assets, which is more objective and beyond the control of managers compared to ROE, ROI [17, 18]. The results show that in enterprises pursuing a cost leadership strategy, financial leverage, dividend payment, and business strategy all have a positive influence on financial performance. On the other hand, in enterprises pursuing a differentiation strategy, financial leverage and firm size have a positive impact and business strategy; dividend payments have a negative impact on financial performance.

Balsam et al, based on 11,087 observations of the operating years of 1,658 unique companies from 1992 to 2006, studied the relationship between the business strategy and

the use of financial efficiency to measure compensation. usually executive [15]. Specifically, the author operates the overall competition strategy of Michael Porter [9, 10]. In particular, the cost leadership strategy is represented by three ratios (net revenue/capital cost of PPE, net revenue/net value of factory and equipment, number of employees/total assets). This shows the ability to effectively use company capital and resources by employees. And the differentiation strategy is represented by three ratios (selling and management expenses/net sales, R&D costs/net sales, net sales/COGS). On the other hand, the executive compensation variable is based on indicators such as sales or sales logs, return on assets (ROA), annual stock returns, and investment opportunities. The results showed that firms pursuing a strategy of leading significantly weighted costs into net sales and those following a differentiation strategy had an expressly lower weight on ROA. These discoveries are appropriate for businesses to adjust the reward system, encouraging managers to pursue a specific business strategy.

Ilyas et al, based on 132 textile sector firms listed on the Pakistan Stock Exchange (PSX) during 2008 - 2016, studied the impact of Michael Porter's cost leadership strategy on financial performance [9-10, 16]. Specifically, the cost leadership strategy is the independent variable of this study and is measured by the proxy of net revenue to ratio of assets. The dependent variable - firm performance - is measured through return on assets (ROA). The results show that the relationship between firm performance and cost leadership strategy is that the dividend payout and size of the firm is positive, and leverage is negative. In addition, the cost leadership strategy, dividend payout and leverage significantly affect financial performance, while the size of the firm is negligible.

The above studies show that cost leadership and differentiation strategy always have a positive impact on firm performance, except the research results of Birjandi et al [14] suggest that a differentiation strategy has a negative impact. Moreover, a differentiation strategy

helps maintain firm performance longer and more sustainably with higher compensation than the other [6, 13], but with greater systemic risk and volatility and the weight of firms is less used [15]. In addition, on how to measure two strategies, the majority of studies follow Balsam et al [15], in which each strategy is represented by three financial indicators. However, due to limited research data, the majority of studies represented the cost leadership strategy with the ratio of net sales and assets [14, 16]. On the other hand, the dependent variable of firm performance is represented by the net return on assets (ROA) in most studies; some use Tobin's q factor [13] or the ratio of the firm's market value divided by the total assets' book value [14].

Specifically, firm financial performance has a positive impact resulting from the cost leadership strategy [6, 13, 15-16]. Firstly, if firms in the industry set the same price, the firm pursuing a cost leadership strategy could set prices lower than their competitors but still have the same or higher profits. Secondly, if industry competition increases and firms start to compete on prices, low-cost firms will be able to withstand competition better than others. Third, this strategy often requires a large market share and initial investment and can create a high economy in the process of purchasing raw materials, causing the cost to decrease. Thereby, firm financial performance increases and creates growth opportunities for the market. This leads to our first hypothesis:

H₁: Cost leadership strategy has a positive impact on firm financial performance

Differentiation strategy creates a position for business to deal with other competing forces, creates customer trust in brands, and leads to fewer price fluctuations. On the other hand, the market value of the differentiated product type increases and exceeds the cost of production (book value) due to them. Thereby, firm financial performance increases and creates growth opportunities for the market. This leads to our second research hypothesis:

H₂: Differentiation strategy has a positive impact on firm financial performance

3. Research Methods

3.1. Data

The research sample is 620 joint-stock firms and corporations listed on the HOSE and HNX in the period from 2010 to 2019. Data was collected from the Datastream data source of Thomson Reuters at the Center for Financial Economic Research, University of Economics and Law. Firms selected for the model needed to fully meet the following conditions: Have all necessary indicators to serve the calculation and be non-financial firms, and public service firms, and must have sufficient audited financial statements and annual reports published during the research period. Therefore, with these conditions met, a strong balanced panel for the data sample was created.

3.2. Methodology

Because of its simplicity the regression method often used, whether it is for quantitative or qualitative research, is the ordinary least squares method (OLS). Therefore, this study uses the modern regression method GMM (Generalized Method of Moments), though not new but quite often used. Lars Peter Hansen first presented this in 1982. GMM is a generalized method of many popular estimation methods such as OLS, MLE, FE, RE, etc. Even if terms of endogenous assumptions are violated, the GMM method produces stable, unbiased and effective estimates. On the other hand, the GMM model makes it more simple to select and achieve the condition of a standard tool variable (Overidentification of Estimators) because it uses exogenous variables at another time or takes the latency of variables that can be used as tool variables for endogenous variables at the present. In addition, GMM is suitable for short table data with a short time (T) series and long number (N) of firms, like this study with the data of the time table short (only 10 years) but the number of firms is very large (620 firms).

3.3. Research Model

The research model demonstrates the impact of Michael Porter's overall competitive strategy on firm financial performance:

$$PER_{i,t} = \beta_0 + \beta_1 DIFF_{i,t} + \beta_2 OST_{i,t} + \beta_3 AGE_{i,t} + \beta_4 SIZE_{i,t} + \beta_5 TANG_{i,t} + \gamma_i + \delta_t + \mu_{i,t}$$

Including:

$i = 1, 2, 3, \dots, 620$ (where i is representing 620 listed firms); $t = 1, 2, 3, \dots, 10$ (where t is a 10-year period from 2010 to 2019).

$PER_{i,t}$ - The dependent variable, which measures the firm financial performance i at time t . Measured by ROA (ROA = Net income/ Total book value of assets) and TOBINq (TOBINq = Market value of asset/ Total assets variables) [19-27].

$DIFF_{i,t}$ - Independent variable, representing the differentiation strategy of the firm i ($DIFF = (1)$ Selling, general and administrative expenses/ Net sales; and (2) Net sales/ Cost of goods sold) [28-35].

$COST_{i,t}$ - Independent variable representing the cost leadership strategy of the firm i ($COST = (1)$ Net sales/ Capital expenditures on property, plant and equipment; and (2) Net sales/ Net book value of plant and equipment) [11, 28-31, 34].

$AGE_{i,t}$ - Control variable, representing the operation time of the firm i at time t ($AGE =$ Natural logarithm of firm age) [20, 26, 36].

$SIZE_{i,t}$ - Control variable, representing the firm i size at time t ($SIZE =$ Natural logarithm of total assets) [20-21, 23-26, 36-37].

$TANG_{i,t}$ - Control variable, representing tangible assets of the firm i at time t ($TANG =$ Tangible assets/Total assets) [24].

Control variables

The author uses a number of control variables in the research model to address the effects of business strategy on firm financial performance.

First, the operating time control variable (AGE) is estimated by the natural logarithm of the activity year. Firms with a large firm age are less effective in specific environments; established firms often have management experience in a certain field and it will be

difficult for them to adapt to quick changes and high levels of uncertainty. Accordingly, the author predicts AGE has a negative impact on financial performance.

Second, the control variable on asset size (SIZE) is measured by the natural logarithm of the total assets. In terms of firm size, there are two conflicting views on firm financial performance. First, larger firms can use economies of scale, have better access to capital markets [38] and possess a greater ability to set barriers for newcomers to join. Second, Pi and Timme stated that larger firms may also show more conflicts between managers and shareholders, leading to a fall in profits to limit management control [39]. However, the research team favored the second view so it was hypothesized that SIZE has a negative impact on financial performance.

Third, the tangible asset (TANG) control variable is measured by the ratio of tangible assets to total assets. Currently, in the competitive market among firms in the same industry, between increasingly fierce products, tangible assets (TANG) of firms are low, unable to meet the demand, so all firms must

strive to increase competitiveness for the quality of its products means that this requires firms to have new long-term plans to invest in tangible assets. If firms cannot afford to upgrade their tangible assets, this means they lose their firm's competitive advantage in the market. Accordingly, the author predicts TANG has a pessimistic effect on financial performance.

4. Research Results

4.1. Descriptive Statistics

Descriptive statistics of research variables are presented in Table 1.

According to the descriptive statistics of all variables in the descriptive statistics table, the collected data gaps are not the same. Therefore, the number of observations for each variable is not uniform. In some variables, the contrariety among the minimum and maximum value is relatively high. For example, the ROA ranges from -1.587 to 0.7836; TOBINq ranges from -25.96 to 17.06. There are several variables that can be negative: ROA and TOBINq.

Table 1. Descriptive statistics of research variables

Variable	Number of observations	Mean	Standard deviation	Minimum	Maximum
ROA	5.542	0.0620	0.0829	-1.5874	0.78369
TOBINq	5.084	0.9458	1.044	-25.96	17.06
DIFF	5.547	0.1900	0.3923	0	1
COST	5.113	0.1715	0.3770	0	1
AGE	6.192	2.569	0.6395	0	4.7874
SIZE	5.550	27.055	1.514	22.995	32.253
TANG	5.543	0.2668	0.220	0	0.9703

Source: Data analysis from STATA software.

The difference between the minimum and maximum values is relatively high in the following variables. For example, AGE ranges from 0 to 4.7874; SIZE ranges from 22.995 to 32.253.

In the period 2010-2019, the Mean of operating time (AGE) is 2.5695, showing that the Mean of years of establishment of the firm

up to now is not low. These are firms with experience, have a high reputation and have good customer networks. Also during that period, the Mean value of the size of assets (SIZE) is 27.055. Large-scale firms can take advantage for the firm from scale, thus saving costs and increasing profits.

4.2. Correlation Matrix

Correlation analysis is a measure of the intensity of the relationship between two

variables and two variables are considered as “random” variables - regardless of the independent and dependent variables.

Table 2. Correlation coefficient matrix between variables in the model

	ROA	TOBINq	DIFF	COST	AGE	SIZE	TANG
ROA	1.0000						
TOBINq	0.3511	1,0000					
DIFF	0.1686	0.1349	1.0000				
COST	-0.0035	-0.5098	-0.0775	1.0000			
AGE	-0.0253	0.0430	-0.0386	0.0152	1.0000		
SIZE	-0.0336	0.1734	-0.1248	-0.1011	0.1012	1.0000	
TANG	-0.0152	0.0171	0.0098	-0.4194	-0.0659	0.1717	1.0000

Source: Data analysis from STATA software

The results show that the differentiation strategy (DIFF) has the highest correlation with the return on assets (ROA) with a correlation coefficient of 16.86% and the asset size (SIZE) correlated highest with Tobin's q coefficient (TOBINq) with a correlation coefficient of 17.34%; correlated below 1%.

4.3. Regression Results

4.3.1. Regression result of dependent variable (ROA)

Except for the differentiation strategy (DIFF), all the remaining variables in the model are not statistically significant at 10% (both greater than 10%). Therefore, is there only a differentiation strategy that has a significant impact on the return on assets or the financial performance of businesses listed on the Vietnamese stock exchange significant (due to $0.539 > 0.1$).

Table 3. Regression analysis of ROA

Variables	Correlation coefficient	Standard Error	T test	Level of significance	Reliability 95%	Interval
Lag.ROA	0.5449	0.10897	5.00	0.000	0.3309	0.7589
DIFF	0.032	0.0190	1.71	0.088	-0.0048	0.0698
COST	0.0129	0.0210	0.61	0.539	-0.0284	0.0543
AGE	-0.005	0.0085	-0.67	0.505	-0.0224	0.0110
SIZE	0.0005	0.0027	0.19	0.853	-0.0048	0.0058
TANG	-0.0020	0.0268	-0.08	0.938	-0.0548	0.05074
_CONS	0.0140	0.0819	0.17	0.864	-0.1468	0.1749
Arellano-Bond Test	Arellano-Bond test for AR(1) in first differences Arellano-Bond test for AR(2) in first differences					0.000 0.156
Sargan test	chi2(38) = 71.86 Prob > chi2 = 0.001					
Hansen test	chi2(38) = 38.85 Prob > chi2 = 0.431					

Source: Data analysis from STATA software.

The autocorrelation test in the research model is done through the Arellano - Bond test with the hypothesis: H_0 . There is no

autocorrelation in the model and H_1 . There is autocorrelation in the model. The results in Table 3 have P-value = $0.156 > 0.1$ or the

Arellano - Bond test with a statistical significance at 10%, meaning there is not enough basis to reject the hypothesis H₀ about no autocorrelation in the research model. This proves that the results estimated by the GMM system method are consistent with the research data and are meaningful.

The appropriateness test of the instrumental variables in the research model is implemented through the Sargan and Hansen tests. The results in Table 3 have:

- Sargan test: P-value = 0.001 < 0.1 shows that the conformity is not strong, but not weak by many tools

- Hansen test: P-value = 0.431 > 0.1 shows a strong fit, but weak by many tools

Based on the regression model, we see an independent variable that affects the variation of the return on assets (ROA) and is statistically significant with P-value < 10%.

4.3.2. Regression result of dependent variable (TOBINq)

Except for the cost leadership strategy (COST) and tangible assets (TANG), all remaining variables in the model are statistically significant at 10% (both less than 10%). Therefore, only the differentiation strategy has a significant impact on Tobin's q-factor or financial performance on listed firms on the Vietnamese stock exchanges; the cost leadership strategy is not significant (due to 0.496 > 0.1).

Table 4. Regression analysis of TOBINq

Variables	Correlation coefficient	Standard Error	T test	Level of significance	Reliability 95%	Interval
Lag.TOBINq	0.6297	0.0336	18,69	0.000	0.5635	0.6958
DIFF	0.5188	0.1854	2,80	0.005	0.1547	0.883
COST	-0.0833	0.1224	-0,68	0.496	-0.323	0.15704
AGE	0.1486	0.0353	4,20	0.000	0.0791	0.218
SIZE	0.0278	0.0140	1,98	0.048	0.0002	0.0555
TANG	0.0163	0.1305	0,13	0.900	-0.2399	0.2727
_CONS	-0.9363	0.4004	-2,34	0.020	-1.722	-0.1498

Arellano-Bond Test	Arellano-Bond test for AR(1) in first differences Arellano-Bond test for AR(2) in first differences	0.006 0.317
Sargan test	chi2(94) = 864.88 Prob > chi2 = 0.000	
Hansen test	chi2(94) = 101.16 Prob > chi2 = 0.288	

Source: Data analysis from STATA software.

The autocorrelation test in the research model is implemented through the Arellano - Bond test with the hypothesis: H₀. There is no autocorrelation in the model and H₁. There is autocorrelation in the model. The results in Table 6 have P-value = 0.317 > 0.1 or Arellano - Bond test is statistically significant at 10%, meaning there is not enough basis to reject the hypothesis H₀ about no autocorrelation in the research model. This proves that the results estimated by the GMM system method are

consistent with the research data and are meaningful.

Based on the regression model, we see that there are 3 independent variables that affect the variation of the q-dependent variable of Tobin (TOBINq) and are statistically significant with the P-value <10%:

DIFF is a differentiation strategy. Research results show that enterprises pursuing differentiation strategies have a strong impact on business performance. Specifically, when the

strategy of differentiation increases (decreases) by 1 unit, the q coefficient of Tobin increases (decreases) by 0.5188874 units, consistent with the hypothesis of the research group.

According to previous studies, the cost leadership strategy has a positive impact on corporate financial performance. However, we did not find such a relationship based on the research results (COST variable does not make sense). Besides, we found no similar evidence for the tangible asset control (TANG) variable.

On the other hand, differentiation strategies have a positive and strong impact on corporate financial performance. This is entirely consistent with the previous research hypothesis and studies such as [6, 13, 15-16]. This proves that the market of listed companies in Vietnam which is diversified in creating differentiation for products besides improving quality, simultaneously significantly reduce the threat of competitors. Customers with diverse consumer demands will see that the value of the difference is worthy of continuously improving products. The operation time factor (AGE) of the enterprise is contrary to the hypothesis. Negative impacts on performance prove that the longer the business operation, the lower the performance as well as the profit of the enterprise. This is a worse performance compared to business start-ups or less-active-age businesses. The firm size factor (SIZE) positively affects corporate financial performance and satisfies the hypotheses as well as previous studies [14, 16, 26, 40]. This demonstrates that when there is an increase in size, it will help businesses increase production to meet the demand in times of a shortage of supply in the market and increases sales and profits for businesses. This means the more the corporate assets, the higher the financial performance in Vietnam's listed enterprises.

5. Conclusions and Recommendations

5.1. Conclusions

Our research provides a direct result of the relationship between independent variables and firm performance of the business, namely the

cost leadership and differentiation strategy. In this paper, in order to find out how to achieve good corporate financial performance, we have measured the financial performance by two dependent variables, the return on assets and the Tobin's q -coefficient. From there, we use the GMM regression model to measure specifically and clearly how the independent variables (including control variables) affect the two dependent variables and draw conclusions.

The study not only helps us to recognize the current situation of Vietnamese enterprises in improving corporate financial performance, but also points out the major impact on performance. From there, Vietnamese businesses can make the right choices in choosing their business strategies, so as to improve corporate financial performance.

According to our group's research and discussion results, each dependent variable is affected by 5 independent variables. In particular, we see the most prominent strategy affecting corporate financial performance that business managers and orientations should consider: The differentiation strategic variable (DIFF) has the largest, same-dimensional impact on financial performance (ROA and TOBIN q). Therefore, enterprises oriented to differentiation can consider investing in development and strengthening their strategy. There are also two factors, operation time (AGE) and asset size (SIZE). Both impact the same direction on financial performance. Businesses should also consider extending the operation time and increasing the assets size of their business. On the other hand, there are 3/4 recognized research hypotheses (except for asset size in model variable dependent of Tobin's q -coefficient).

5.2. Recommendations

Improving financial performance has always been a vital issue for businesses and is a great concern of investors. In particular, this is true in the context that Vietnam's economy is

increasingly integrating deeply into the regional and world economy with lots of pressures. Enterprises with high financial performance will bring many benefits to employees, themselves and the whole society. So from the research results obtained in part 4 with the three most prominent relationships affecting financial performance, we want to propose practical recommendations to improve and enhance performance for listed companies in Vietnam in the current period of fierce competition:

Consolidate and develop differentiation strategy

In the current competitive situation, businesses that want to stand firm are forced to make a difference through their action, for example: being creative, pioneering and predicting and solving customers' problems based on the word "conscientious". Firstly, businesses should be continuously improving and innovating the product structure, such as through: eliminating obsolete and unprofitable products; improving, perfecting the appearance of and the content and design of existing products; adding new products in accordance with needs and trends; quantitatively changing the production by each type. Secondly, constantly innovating machinery and technology to increase productivity, product quality and enterprise competitiveness. Lastly, focusing on researching and developing to create a diverse product, implementing communications and marketing activities to provide information about the uniqueness of products.

Property expansion

At this moment, investment in purchasing assets in the right direction, for the right purpose, enhancing innovation, maximizing and effectively using the capacity of machinery and equipment are all extremely important. Firstly, businesses need to have the right systems, processes, personnel and plans; in other words, improve the management capacity with vision. Secondly, increase the number of merger and acquisition (M&A) activities to open more opportunities to approach, associate and cooperate with foreign businesses, gain better environmental exposure and newer conditions.

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