

Hypotheses research proposals examples

[Business](#), [Company](#)



This report relates to companies in Vietnam with internally appointed CEOs and those that do not embrace internal appointment of CEO. Companies that do not embrace internal appointment of CEOs view it as unethical practice since this might result to conflict of interest within the company. These companies discourage internal appointment of CEO since these CEO might manipulate the operations of the company to benefit themselves rather than the shareholders. However, most companies embrace internal appointment of CEOs due to the need to closely monitor the performance of CEOs that they are familiar with (Adler, 2013).

Internal appointment of CEOs act as a motivating factors within the company since employees of any company view it as a motivating factor of hard work. Companies that have embraced internal appointment of CEOs find it necessary since in most cases where there is external appointment of CEOs there is political interferences especially to bid government owned institutions. Politicians appoint CEOs who supports their political life and in most cases these CEOs are not competent in leadership hence cause failure to the companies that they work in (Sekhar, 2013).

Companies are run by the board of directors on behalf of the shareholders. The mandate of the board of directors headed by a CEO is to maximize shareholders' wealth. One of the measures of shareholders wealth is stock price of a company. This study therefore uses statistical and mathematical analysis to find out whether there is any difference between internal and external appointment of CEOs with the performance of companies in Vietnam. It focuses on forty major companies in Vietnam which operates in various industries. Twenty two of these companies have embraced internal

appointment of CEOs whereas the rest of the companies view internal appointment of CEOs as unethical practice. Some of the companies studied include:

- Agribank
- VNPT
- Petrolimex
- PetroVietnam
- Samsung electronics Vietnam
- Vietsovpetro
- Vinacomin
- Vietnam Electricity
- Viteel Group
- Saigon Jewelry Company

Data on average stock prices for these companies for the last five years ending January 2012 was collected. Analysis included calculating the mean stock price and standard deviation of stock prices for both companies with internally appointed and externally appointed CEOs. The data was summarized as follows:

Null Hypothesis (Ho). There is no statistically significant difference in the stock prices between companies with internally appointed CEOs and companies with externally appointed CEOs.

Research Hypothesis (Ha). There is a difference in the stock prices between companies with internally appointed CEOs and companies with externally appointed CEOs.

The test was done at 95% significance level and Z statistics was used (Brosh, 2005).

This is a two-tailed test hence the value of $Z_{\alpha} = 1.96$

Z_c is calculated using the following formula: $Z_c = \frac{\mu_1 - \mu_2}{\sqrt{\frac{s_1^2}{n_1} + \frac{s_2^2}{n_2}}}$

$= \frac{15.6 - 14.081}{\sqrt{\frac{4.422}{1} + \frac{1.1025}{18}}}$

$Z_c = 4.270$

Samsung electronics Vietnam (internally appointed CEOs)

Profit margin = net income

Total sales

259621

1556385

= 0.1668

Return on assets = net income

Total assets

259621

4004010

= 0.0648

Return on equity = net income

Total equity

259621

2228462

= 0.1165

Return on equity = net income

Total equity

176314

2266881

= 0. 0778

Total debt ratio= Total debts

Total assets

1684933

3951815

= 0. 4264

Debt-equity ratio= Total debts

Total equity

1684933

2266883

= 0. 7433

Petrolimex (externally appointed CEOs)

Profit margin= net income

Total assets

176314

1407341

= 0. 1253

Return on assets = net income

Total assets

176314

3951815

= 0. 0446

Return on equity = net income

Total equity

176314

2266881

= 0. 0778

Total debt ratio= Total debts

Total assets

1775547

4044008

= 0. 4434

Debt-equity ratio= Total debts

Total equity

1775547

2266881

= 0. 7968

Profit margin

This ratio shows a measure of amount of net income a company makes from each dollar of sales (Sekhar 213). In the year 2012, the Petrolimex which has externally appointed CEO had a profit margin of 12. 53% indicating that for

every dollar of sales made by the company, it generated \$0.1253 of net income. Samsung Electronics Vietnam which has internally appointed CEO had a profit margin of 0.1668. This indicates that Samsung Electronics has a higher profit compared to Petrolimex. This can be linked with the management of the two companies showing that Samsung Electronics Vietnam, which has internally appointed CEO, has a better management than Petrolimex with externally appointed CEO.

Return on assets

This ratio indicates the relationship between net income and total assets (Sekhar 178). It shows the net income earned from every dollar of total assets used. In the year 2012, Samsung Electronics Vietnam had a return on assets of 6.48% indicating that it earned \$0.0648 of net income for every dollar of total assets. This is higher compared to Petrolimex which had a return in assets of 4.46% indicating that it earned 0.0446 of net income for every dollar of total assets. It can therefore be concluded that the high percentage in return on assets of Samsung Electronics Vietnam is attributed to the CEO of the company and therefore it can be an indicator that companies with internally generated CEOs perform better than companies with externally appointed CEOs.

Return on equity

The ratio shows the relationship between net income and total equity (Wood & Sangster 214). It measures the net earnings for each dollar of equity invested in a firm (Sekhar 198). During the year 2012, shareholders of Samsung Electronics Vietnam earned \$0.1165 for every dollar of equity

invested in the company whereas Prolimex which has externally appointed CEOs had a return on equity of 0. 0778 this is an indicator of lower profitability of companies with externally appointed CEOs.

Total debt ratio

This ratio shows the relationship between total debt and total assets (Wood & Sangster 215). It measures the proportion of total assets that is financed by non-owner supplied funds. In the year 2012, the Samsung Electronics Vietnam total debt ratio was 0. 4264 indicating that 42. 64% of the company's assets were financed by non-owner supplied funds. Besides, it shows that the company's total debt is less than its total assets and so it had sufficient assets to pay off all its debt when they become due. It is also an indicator that the company has a higher solvency and does not face any risks of liquidation which may result from inability to meet debts. However Petrolimex had a total debt ratio of 0. 4434 indicating that 44. 34% of its assets were financed by non-owner supplied funds compared to Samsung which had only 42. 64%. This is an indicator that companies with internally appointed CEOs had a higher ability to pay for its loans compared to companies with externally appointed CEOs.

Debt- equity ratio

Debt-equity ratio shows the relationship between total debt and total equity in a company (Sekhar 45). It gives a measure of total debt as a proportion of total equity. In the year 2012, the Samsung's debt-equity ratio was 0. 7433 indicating that the value of equity was more than that of debt. The company's total debt was 74. 33% of its total equity (Adler 213). This

indicates that the company is solvent and does not face a high risk of liquidation or take-over by debt holders. However Petrolimex had debt-equity 0.7968. Petrolimex's total debt was 79.68% of its total equity indicating its high risk of liquidation. Therefore companies with internally appointed CEOs are more solvent compared to companies with externally appointed CEOs.

References

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