Proposed Study Model Effects of Competitive Capability on Vietnam Enterprise's Stability

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Abstract:
The objective of the article is to review previous studies related to the research topic of competitiveness and stability of enterprises to propose research models for Vietnamese enterprises. We have done research overview on many different aspects such as: Overview of research on competitiveness, overview of research on enterprise stability, overview of studies on the impact of competitiveness to the stability of businesses. From there, we propose research orientations for Vietnamese businesses.
Keywords: *Competitiveness, stability, Vietnamese enterprises.*

1. Introduction

World economic integration following the trend of financial liberalization is considered a suitable direction in the current context and has been implemented by many countries, including Vietnam. In order to expand the scale and markets for international trade cooperation, countries conduct financial liberalization step by step through free trade agreements (FTAs) with participating regional partners. Currently, according to the synthesis from (Center for WTO and Integration, 2020), Vietnam can be considered as one of the countries with the most number of FTAs in the world, with 16 FTAs. The signing of trade agreements is expected to help Vietnam increase its ability to exploit global resources and opportunities to accelerate development, while strengthening the nation's capacity to adapt to change and fluctuations in international markets.

In the signed FTAs, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (hereinafter referred to as the CPTPP Agreement) is considered a free trade agreement. has a large scale and scale, has a deep and wide impact on many commercial relations between the member states. Through many negotiations, the CPTPP Agreement was officially signed in Chile in March 2018. The CPTPP bloc has 11 members with a total population of 500 million people, total GDP exceeds 10 trillion USD, accounting for about 13, 5% of global GDP and about 14% of total world trade. CPTPP is a large-scale trade agreement and is considered to contain many "ambitions". Senior officials of the countries participating in the negotiation believe that the successful development of the Description of the main negotiating areas of the agreement will provide the basis and motivation needed to conclude successful agreement negotiations. . The CPTPP is identified as a landmark 21st century trade agreement that sets a new standard for global trade and introduces new generation issues that enhance competitiveness. CPTPP member countries in the global economy.

When it comes into effect, the CPTPP will remove 11,000 tariff lines from the parties and will likely act as a template for future trade agreements. The content of the CPTPP has built up the overall framework of a new generation trade agreement, contributing to further strengthening trade and investment relationships, creating the basis for the formation of a free trade area. the entire Asia-Pacific region, at the same time supporting employment, economic growth, and improving living standards in countries.

2. Literature review

2.1. Studies on competitiveness

To study the competitive competence, the foundation for the theory of the market structure approach, the competitiveness of the business is measured based on the model SCP (Structure-Conduct-Performance), originated by Mason (1939) and According to the market unstructured approach, the enterprise competitiveness is measured based on the NEIO (New Empirical Industrial Organization) model. Experimental studies to measure the competitiveness of enterprises, scholars often use two popular methods:

First, the Panzar and Rosse (1987) method are widely used in the empirical studies on enterprise competition due to simple calculation and readily available data. This is the method of using H statistic index to determine competitive conditions in an industry (perfect competition, monopoly competition, monopoly). In both short-term equilibrium and long-term equilibrium, this index has negative value for monopolistic or oligopolistic markets. H statistics has been used by many researchers. (Claessens, 2001) is used to measure the competitiveness of the business system for developed and developing countries in the period 1999-2001. The research results have not found evidence of an inverse relationship between market concentration and firm competitiveness. At the same time, research also shows that large foreign firms enter a less competitive market and that the government gradually deregulates the competition in the business system. (Carbó, S, Humphrey, D, Maudos, 2009) assessed the competitiveness of enterprises in 14 developed countries in Europe in the period 1995-2001. The results show that the competitiveness of European businesses is mainly concentrated in the traditional deposit and lending market. (Soedarmono, W., Machrouh, 2011) also uses H-statistics to measure the competitiveness of businesses in 12 Asian countries and territories including China, Hong Kong, India, Indonesia, Malaysia, Pakistan, Philippines, Korea, Sri Lanka, Taiwan, Thailand and Vietnam for the period 2001-2007. Research results provide evidence that, the greater the competitiveness of firms, the higher the safety of capital. However, in less competitive markets, the higher the safety of capital, the higher the safety of capital is not enough to cope when the ethical risks occur, leading to a high risk of bankruptcy for businesses.

Second, the Lerner method (Lerner, AP, 1934) is widely used by scholars in empirical research on enterprise competition because it is estimated annually and for different types of ownership. per business. This is a method of using the Lerner index to determine corporate competitiveness. The Lerner Index is also used by many scholars around the world. For example, Berger et al. (2009) used data of firms from 1999-2005 in 23 developed countries to estimate competitiveness. The results show that the average Lerner number is 22% and ranges from -55% to 59%. (Fungáčová et al, 2013) also used the Lerner index for 76 Chinese enterprises in the period 2002-2011 to measure competitiveness. The results showed that the average Lerner index of Chinese enterprises was very high, reaching 37.8% and ranged from 27.7% to 42.1%. Fu et al. (2014) used the Lerner index to measure the competitiveness of firms in 14 Asia-Pacific countries in the 2003-2010 period. The results show that this index is different in each country and decreased gradually in the period 2005-2008. The highest Lerner value is China (39.14%) and the lowest is Pakistan (21.29%). Based on these studies, during the 2007-2008 global financial crisis years, the Lerner index in China is higher compared to other countries.

Meanwhile, in terms of the business market in Vietnam compared to China, a country with a quite similar business system, through the Lerner index is used to measure the competitiveness of Vietnamese businesses in the CPTPP integration scene.

2.2. Researches on the stability of the business

The study of Diamond and Dybvig (1983) also approaches financial stability based on analysis and assessment of firm's tolerance to volatile conditions and developments. The study describes a corporate exit model when mass depositors withdraw money from the business. The quick spillover action leads to the phenomenon of other businesses falling into undesirable instability. In addition, there exist many approaching studies on the view of maintaining stability in business operations.

Typically, according to Swamy (2014), in the current context, businesses account for more than 70% - 80% of the financial system, financial stability is considered to play a more prominent role in the job security. guarantee financial stability. Business is an agency that creates money, supports capital for economic growth, or organizations and individuals. On the other hand, the business is seen as a special business because it is more vulnerable than other industries. The financial situation and business-related issues are often special because they represent a country's financial institutions. With this connection, if one business lacks security, it will lead to risks for other businesses, creating a spread throughout the system. Therefore, financial stability of a business is mainly how to minimize the negative impacts on the economy caused by corporate financial instability. The study also argues that corporate financial stability depends on internal factors of the business and on macro factors of the economy.

In the study on factors reflecting the stability of the business system of the two authors (Jahn, Kick, 2011) stated the concept of corporate financial stability as follows: "The financial stability of the system Enterprise system is a steady state in which the enterprise system effectively performs its functions including the distribution of resources, the distribution of risks and the distribution of income ".

According to (Pierre Monnin, Terhi Jokipiia, 2013) when studying the impact of corporate stability on the economies of 18 OECD countries, the definition of corporate stability is as follows: Financial instability is a probability the industry becomes insolvent in the next quarter. Therefore, this lower probability corresponds to increasing stability and vice versa. Specifically, if the market value of assets in all banks is less than the total liabilities, the enterprise declines or even is unable to repay, that is, the business is unstable.

Another study by (Segoviano, Goohart, 2009) on enterprise stability measurement method, the two authors define the probability of leading to exhaustion of the firm as content of assessing the stability of that enterprise.

2.3. Studies on the effects of competition on firm stability

There are many studies conducted to measure the impact of competition on firm stability. In which there are two main views that are mainly studied: the first: shows that competition in the enterprise industry leads to instability, while the second view that there is a positive relationship. in the midst of competition and stability of businesses.

Competitive - vulnerability perspective, suggested by (Keeley, Michael C, 1900). The main idea of this point of view is that high enterprise competition will increase corporate risk and business instability. For example, in the case of perfect competition, the profits of businesses will be zero, and there is no potential for future profits (zero brand value). Businesses will lower their criteria for investment, because they have nothing to lose. Conversely, if firms have some market power and positive brand equity, business managers as well as shareholders will be more cautious in taking risks. To support a brand equity model (Allen, Gale, 2004) uses a representative model. They argue that financial crises are more likely to happen in less concentrated businesses. The main idea behind this point of view is that excessive competition undermines the brand value of firms by reducing their exclusive rents and thereby forcing them to undertake a more risky activity.

The competitive-stability view of (Boyd, De Nicolo, 2005) suggests that there is a positive relationship between competition and stability. The main idea is that less competition leads to higher lending rates, which in turn can increase the client's default and the client's moral hazard. Therefore, businesses will face the problem of increasing bad debt.

2.4. Studies of the effects from foreign presence to domestic firms

Opening up to the international market, removing many barriers when joining the international economic community in the future is an indispensable issue that any country wants to develop must implement. In particular, in the coming period, when the CPTPP is implemented, there will be many turning points and significant changes in the increase in FDI capital sources for enterprises by member countries. This opens up to businesses in each member country many opportunities, which also come with challenges in the context of integration and compliance with common commitments. This is the driving force that pushes the business system in general and the operation of enterprises in particular in each country to increase the competitive competence to survive and develop in the general environment.

The presence of state-owned enterprises is a driving force and also a competitive pressure for domestic firms to reduce costs and increase efficiency of financial services to compete for market share. This is reflected in competitive activities such as: improving service quality, increasing the quality of human resources, increasing competitiveness in an equal market. The presence of SOEs will add new financial services to the host country. This will be the basis for domestic enterprises to develop similar services. At the same time, it is also an opportunity for businesses to approach and learn modern business technology, management and training advanced human resources from the acceding countries. In addition, shaking hands with joint venture enterprises helps domestic enterprises improve their governance, the monitoring and regulation system of domestic enterprises according to the institutions and standard principles. international.

Around the world, the topic of the relationship between foreign ownership and corporate risks has been studied, but the results are still inconsistent. Some studies (Lee, 2008; Saunders et al., 1990) suggest that the larger the foreign ownership, the greater the risk of the enterprise. However, research by (Laeven, Luc A., 1999) shows that foreign ownership reduces the risks of enterprises. In addition, (Micco et al, 2007) pointed out that foreign shareholders have an important role to play in improving operational efficiency, developing systems, improving profitability and managing operating costs. From there, they recommend increasing the foreign ownership ratio in businesses in developing countries

There have been many empirical studies showing that the presence of state-owned enterprises has an impact on the economic efficiency of the domestic business system, especially in two effects: a spillover effect increases fertility. benefit and reduce operating costs; while the competitive effect will reduce profitability and operating costs. (Cho et al, 1989); (Bruce C. Greenwald and Joseph Stiglitz, 1993); (Ross Levine, 1996); (Berger and Hannan, 1998)).

Another study shows that the presence of state-owned enterprises puts more pressure on competition and increases the efficiency of financial markets and competition for domestic enterprise systems (Denizer, Cevdet, 2000); (Claessens, 2001). In particular, some research results find the presence of SOEs in developing countries operating more efficiently than domestic firms (Claessens, 2001) but in developed countries the opposite results are found ((Berger et al, 2009), DeYoung and Nolle, 1996).

There are many studies for the case of Vietnam such as: Dinh et al (2015) analyze the economic impact of the presence of state-owned enterprises in the period 1992 - 2012 (the period when Vietnamese enterprises have not re-implemented structure), the results show that both spillover and competition effects exist at the same time, but the competition effect is stronger; (Tran Ngoc Tho, Nguyen Huu Tuan, 2017) analyzed the impact of state-owned enterprises on the performance of domestic enterprises in the period 2008 - 2015, the results showed the presence of state-owned enterprises. reducing profitability and cost of domestic firms, which implies an increase in the level of competition of the Vietnamese business system. (Vo Xuan Vinh, Mai Xuan Duc, 2017) empirical research on the impact of “Foreign ownership and liquidity risk of Vietnamese enterprises”, the results show that the higher the foreign ownership, the higher the risk. the lower the corporate liquidity risk and vice versa. Besides, credit risk and liquidity risk in the previous year are positively related to the company's liquidity risk in the current year.

Co-capital contribution, co-operation (joint venture) or full membership of a foreign enterprise (an enterprise with 100% foreign capital) is expected to lead to positive improvements in the monitoring system. and regulating the business. Progressive modern corporate governance experiences from foreign firms will be learned by domestic firms and gradually applied to domestic firms. All of these spillovers will contribute to efficiency in the management and development of services in the operations of domestic enterprises.

3. Proposed future research model

There are many studies on domestic and foreign competitiveness and stability of enterprises. Many measurement methods and research models are mentioned depending on the characteristics of the research country.

To measure competitiveness and the impact of these factors on firm competitiveness, the main measurement methods are based on 3 indicators: Panzar and Rosse method (1987) using H, Lerner index. , Bone. To measure corporate stability, at first, the studies focused on the method of ratio analysis, then the univariate analysis method, the analytical method combining the indexes. economics Edward I (1968). Altman's research is conducted to predict the probability of bankruptcy of a business inherited from the Z-Score index of (Edward I. Altman, 1968), a series of empirical studies also use additional indicators. other to measure more comprehensive business stability such as: ROA, ROE, RARROA, RARROE. H statistics index has been used by many scholars such as: (Claessens, 2001), (Carbó, S, Humphrey, D, Maudos, 2009), (Soedarmono, W., Machrouh, 2011). Lerner index is also used by many scholars around the world such as: research of (Berger et al, 2009), (Fungáčová et al, 2013), (Fu et al, 2014) ...

Most studies in Vietnam on competitiveness use the H and Lerner index, recent studies mainly use the Lerner index because of the advantage in data collection and the appropriateness of the results. math compared to the actual situation of Vietnam. Researches on corporate stability in Vietnam use the Zscore index and add other indicators to more comprehensively measure business stability such as: ROA, ROE, RARROA, RARROE ...

Researches on domestic and foreign CPTPP agreements for enterprises are mainly done by qualitative research methods and research content focuses on identifying relevant commitments, opportunities and challenges. that the business sector will face when joining the CPTPP. There are a few empirical studies at home and abroad on the impact of the entry of foreign financial institutions on the domestic business market following the signing of general FTAs.

In Vietnam, the author has not found any research that "measures the competitiveness and stability of Vietnamese enterprises in the context of joining the CPTPP agreement". By determining the current situation of Vietnamese enterprises, comparing with the financial systems among member countries, combining experimental measurement results as a basis for proposing effective policy implications in the context of CPTPP integration. There are very few studies on competitiveness and enterprise stability that take into account the entry of foreign enterprises in Vietnam. The author also found that there is almost no fundamental theoretical basis for competition and enterprise stability in the context of international integration that has been gathered and fully presented, and has a scientific role as a reason. research background theory in Vietnam.

In general, the issues that the previous scientific products have mentioned are mainly: Portrayed the progress of Vietnam joining the TPP and CPTPP and the problems raised when Vietnam joined this Agreement; International trade policy researchers have made recommendations to the Government authorities on issues that Vietnam's negotiating delegation should be aware of, as well as the CPTPP Agreement. what opportunities and challenges for Vietnam's economy in general; Proposed solution: What should the government do? What should the business community do? To seize opportunities, limit difficulties and challenges when the CPTPP Agreement is signed and officially entered into force for Vietnam.

Very few documents and in-depth studies on competitiveness and stability of Vietnamese enterprises in the context of CPTPP integration, an agreement that is assessed to have a deep, wide impact, and degree of self financialization in the context of international integration has been significantly expanded through the contents of commitments between 11 countries in the member bloc. In addition, the trend of financial liberalization in the context of international integration, with comprehensive and progressive commitments in the CPTPP, the identification and assessment of the impact from the presence of groups. Foreign financial institutions (MFIs) in Vietnam are extremely necessary. This is the policy implication basis for policy makers as well as relevant functional departments to make the right decisions based on the scope, signed content, and agreements in the previous negotiation process. . From there, proposing recommendations and solutions for Vietnamese businesses to strengthen their capacity to seize opportunities and overcome the challenges that the CPTPP brings.

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