

# BUSINESS ETHICS OF ENTERPRISES IN VIETNAM IN THE CONTEMPORARY MARKET ECONOMY

*Hoang Minh Thi Thuan, MSc<sup>1</sup>, Nguyen Thanh Đức, MSc<sup>2</sup>*

<sup>1</sup>Department of Accounting and Auditing, Faculty of Transport Economics, University of Transport Technology,

<sup>2</sup>Thai Nguyen center of Transport Economics, University of Transport No. 54 Trieu Khuc Street, Thanh Xuan District, Hanoi, Vietnam

## ABSTRACT

*In the era of a rapidly evolving market economy and deepening international integration, business ethics has emerged as a critical component for the survival and sustainable development of enterprises. While profit maximization was once considered the foremost goal, contemporary businesses are increasingly required to uphold ethical standards, promote human values, and embrace corporate social responsibility (CSR).*

*In Vietnam, the reform and integration period has witnessed many enterprises adopting responsible business practices and contributing to community welfare. Nevertheless, a considerable number of businesses still prioritize profit over ethics, often at the expense of social and economic well-being.*

*This paper examines the current state of business ethics among Vietnamese enterprises, identifies the key challenges they face, and proposes practical solutions to enhance ethical standards in business operations.*

**Keyword:** *Business ethics, Vietnamese enterprises, market economy, sustainable development, corporate social responsibility*

## 1. THEORETICAL FRAMEWORK ON BUSINESS ETHICS

### 1.1. Definition of Business Ethics

Business ethics refers to a set of moral principles, standards, and codes of conduct that organizations, businesses, and individuals are expected to adhere to in their business activities. It not only reflects the responsibilities of a company towards customers, employees, and shareholders but also extends to its accountability to society and the environment.

### 1.2. The Role of Business Ethics

Business ethics plays an essential role in corporate operations:

- **Building credibility and customer trust:** Modern consumers are increasingly concerned about product origin, production processes, and social impact.
- **Maintaining harmonious labor relations:** An ethical working environment helps retain talent and improves labor productivity.

- **Enhancing brand value:** Enterprises that align their identity with responsibility and sustainability often gain long-term competitive advantages.
- **Minimizing legal and reputational risks:** Ethical violations frequently result in media crises, legal disputes, and significant financial losses.
- **Promoting sustainable economic development:** Ethical businesses help foster a fair competitive environment and contribute to a stable society.

## 2. THE CURRENT STATE OF BUSINESS ETHICS AMONG VIETNAMESE ENTERPRISES

### 2.1. Notable Positive Developments

#### Leading Corporations Pioneering in Ethical Practices

In recent years, many large Vietnamese enterprises have gone beyond profit-making by emphasizing corporate culture built upon ethical values and social responsibility. Prominent examples include:

- **Vinamilk** has spearheaded sustainable development initiatives such as the “One Million Trees Fund,” the “School Milk Program,” while ensuring employee welfare and transparency with shareholders and the public.
- **FPT Corporation** promotes a fair workplace, encourages innovation, and regularly participates in charitable programs that support underprivileged students in remote areas.
- **Viettel Group** not only leads the telecom sector but also excels in CSR efforts such as the “For Children Who Study Hard” and “Steps for the Community” campaigns, improving healthcare and education access for millions.
- **TH True Milk** prioritizes organic agriculture, consumer health, and ecological preservation, while implementing comprehensive welfare policies for rural laborers.

These companies have developed internal codes of conduct clearly defining ethical standards in governance, customer relations, and environmental and social responsibilities, thereby enhancing brand image and community trust.

### Growing Trend of Sustainability Reporting

Publishing Sustainability Reports has become a widespread trend among Vietnamese enterprises, especially publicly listed companies. These reports focus on the ESG (Environmental – Social – Governance) framework:

- **Environmental (E):** Climate impact, resource usage, waste management, renewable energy.
- **Social (S):** Labor relations, community development, consumer protection.
- **Governance (G):** Transparent management structures, anti-corruption measures, ethical leadership.

Notable examples:

- **Bao Viet Group** was among the first in Vietnam to publish a GRI-compliant (Global Reporting Initiative) sustainability report.

- **Vinamilk and Mobile World Investment Corporation (MWG)** openly disclose their ESG performance, reflecting strong ethical commitments to stakeholders.
- Other companies such as Hoa Sen Group, REE Corporation, and Vingroup have integrated ESG principles into their development strategies.

Sustainability reporting not only enhances transparency but also strengthens investor confidence both domestically and internationally.

### Dynamic Young Business Community Embracing Ethics and Innovation

A new generation of Vietnamese enterprises, particularly startups in technology, clean agriculture, and e-commerce, have shown a strong alignment with ethical values and sustainable development. Many pursue the dual goal of generating profit while creating positive social impact.

Examples include:

- **Greenjoy:** Produces eco-friendly grass straws as an alternative to single-use plastic straws.
- **iCheck:** Developed a platform for verifying product origin, helping consumers avoid counterfeits.
- **VinaSamex:** Specializes in exporting organic cinnamon, committed to chemical-free production and sustainable forestry.
- **TUN TUN Vietnam:** A women-led startup providing handmade fashion products for people with disabilities, promoting inclusiveness and human dignity.

This young business community is not only injecting innovation into the market but also nurturing a culture of ethical entrepreneurship that values integrity, transparency, and social responsibility from inception.

### 2.2. Ongoing Issues and Limitations

#### Persistent Violations of Business Ethics

Despite growing awareness, unethical practices remain prevalent across sectors. Common violations include:

- **Tax evasion:** Deliberately inflating expenses, concealing revenues, and exploiting legal loopholes to evade tax obligations, thereby causing public budget deficits.
- **Commercial fraud:** Selling counterfeit goods, misleading advertisements, and products with unclear origins to deceive consumers.
- **Production and distribution of fake goods:** Including counterfeit pharmaceuticals, food, cosmetics, and agricultural supplies, posing serious public health risks.
- **Environmental pollution:** Discharging untreated waste and emissions to cut costs without proper waste treatment systems.
- **Labor exploitation:** Low wages, lack of social insurance, excessive overtime, and unsafe working conditions.
- **Bribery and corruption:** Using illicit payments to secure contracts, obtain regulatory favors, or bypass legal constraints.

These violations not only breach legal boundaries but also severely damage consumer rights, labor conditions, community welfare, and the country's business reputation.

### Major Ethical Scandals in Recent Years

- **Formosa Ha Tinh Marine Pollution (2016):** The Taiwanese-invested Formosa Steel Corporation was found to have discharged toxic waste (including phenol and cyanide) into Vietnam's central coastline, contaminating over 200 kilometers of ocean. The disaster devastated marine life, local economies, and public trust, resulting in a \$500 million compensation settlement.
- **Alibaba Real Estate Scam (2016–2019):** The Ho Chi Minh City-based Alibaba Real Estate Company, led by Nguyen Thai Luyen, deceived over 4,500 victims through fictitious land sales, embezzling more than VND 2.4 trillion. Luyen has been sentenced to life imprisonment.

- **Fake Cosmetics Production by Linh Huong Company (2023):** The Hanoi-based company manufactured counterfeit cosmetics under popular brands such as Chanel and Dior using unidentified ingredients, posing serious health risks to consumers. Authorities seized thousands of fake products and suspended operations.
- **Counterfeit Alcohol Case in Hanoi (2022):** A facility in Hoai Duc District produced fake liquor branded as Chivas and Hennessy using industrial alcohol and flavoring. Over 2,000 bottles were confiscated; the operator was prosecuted.
- **Counterfeit Cancer Medication Case in Ho Chi Minh City (2021):** A private pharmaceutical firm repackaged unlicensed Chinese medications as imported cancer treatments. Over 10,000 boxes were seized, and multiple executives were charged. The case caused severe harm to patient health and public outrage.

These incidents reflect not only legal violations but also a deep ethical crisis in business. Blind pursuit of profit at the expense of moral responsibility has led to irreparable harm to the environment, public trust, and economic stability.

### Survey Results from VCCI (2024)

A 2024 survey conducted by the Vietnam Chamber of Commerce and Industry (VCCI) involving thousands of enterprises across sectors revealed the following:

Business Ethics Indicator	Percentage of Enterprises (%)
Informal payments	58%
Use of personal relationships	33%
Internal ethical codes	21%
Sustainability reporting	12%
Labor/environmental violations	40%

### 2.3. Root Causes of Business Ethics Violations

Despite improvements in ethical awareness, the persistence of violations can be attributed to several root causes:

- **Limited Ethical Awareness**

Many SMEs lack a proper understanding of ethics as a core component of sustainable development. Ethics is often viewed as an optional or non-profitable aspect. Some entrepreneurs prioritize personal or short-term gains over societal well-being, leading to unethical or even illegal behavior. Additionally, consumer awareness remains weak, often failing to distinguish between ethical and unethical products, thereby unintentionally supporting unethical practices.

- **Inadequate Legal Framework and Enforcement**

Current laws related to consumer protection, environmental responsibility, and labor rights are sometimes vague or lack practical guidelines, making compliance difficult. Penalties for ethical violations are often lenient, failing to serve as effective deterrents. Overlapping responsibilities among inspection agencies and weak enforcement also create loopholes for unethical conduct, sometimes facilitated by corrupt officials.

- **Profit-Driven Competitive Pressure**

In an increasingly competitive environment, many businesses face pressure on costs, pricing, and market share, prompting them to compromise ethics for short-term advantages. The “profit above all” mindset encourages deceptive tactics and cost-cutting at the expense of social responsibility, environmental stewardship, and labor rights. The lack of a level playing field allows unethical businesses to profit, undermining ethical competitors and creating a dangerous “bad drives out good” effect.

- **Absence of Mandatory Industry-Specific Ethical Guidelines**

Many industries in Vietnam lack clear, binding codes of business ethics. Even in regulated sectors like healthcare, education, banking, or journalism, ethical codes are often voluntary or symbolic, lacking proper enforcement mechanisms. This results in inconsistent standards of conduct across the business community and hinders the development of a healthy ethical culture.

### 3. INTERNATIONAL EXPERIENCES IN BUSINESS ETHICS

#### **United States: Strong enforcement of ESG reporting and strict oversight of corporate ethics**

The United States is a global leader in promoting business ethics through a robust legal and regulatory framework:

- **Mandatory ESG Reporting:** Listed companies on stock exchanges such as the NYSE and NASDAQ are required to disclose Environmental, Social, and Governance (ESG) reports as part of their transparency obligations to investors and the public.
- **Role of the U.S. Securities and Exchange Commission (SEC):** The SEC holds significant authority in investigating and prosecuting fraudulent or unethical corporate behaviors. Serious misconducts such as financial fraud, information concealment, human rights violations, and environmental damage are strictly penalized, as exemplified by the Enron and WorldCom scandals.
- **Pressure from investors and society:** Major investment funds such as BlackRock and Vanguard incorporate ESG criteria into investment decisions, compelling companies to enhance their ethical conduct and social responsibility.

**Lesson learned:** A strong legal monitoring system, mandatory ESG disclosures, and pressure from financial markets have collectively fostered a culture of rigorous business ethics in the U.S.

#### **Japan: Corporate culture rooted in ethics, integrity, and social service**

Japan is globally recognized for its business culture that strongly emphasizes ethical values:

- **Humanistic business philosophy:** Japanese companies consider ethics and social responsibility as fundamental pillars of sustainable development. The philosophy of *Sanpo Yoshi* (benefits for all three parties: business, customer, and society) is widely adopted.
- **Spirit of honesty and dedication:** The concept of “*Okkyakusama wa Kamisama*” (the customer is god) reflects a culture of sincere and devoted service.

- **Community responsibility:** Leading corporations such as Toyota, Sony, and Panasonic not only pursue profits but also spearhead initiatives related to environmental sustainability, social welfare, and education.

**Lesson learned:** Establishing a corporate culture that views ethics as a core value helps build long-term brand equity and enhances national reputation.

### **European Union (EU): Comprehensive regulatory framework for business ethics**

The EU is at the forefront globally in establishing legal systems to safeguard business ethics:

- **Consumer protection:** The European Consumer Protection Law mandates product safety, transparent information, and maximal protection of consumer rights.
- **Environmental safeguards:** Strict regulations on carbon emissions, electronic waste management, and single-use plastics compel businesses to meet green standards in production and operations.
- **Social responsibility:** The Non-Financial Reporting Directive (NFRD) requires large enterprises to disclose information related to human rights, environmental impacts, and anti-corruption measures.

**Lesson learned:** Clear, transparent, and strict legal regulations serve as effective tools to uphold business ethics and encourage sustainable enterprise development.

### **South Korea: Integrating business ethics into education and performance evaluation**

In South Korea, business ethics is emphasized at both educational and corporate governance levels:

- **Incorporation into higher education:** Universities specializing in economics and business administration include courses on business ethics, corporate social responsibility (CSR), and sustainable development in their curricula.
- **Business performance evaluation:** Credit rating agencies such as NICE and Korea Investors Service integrate ESG

criteria into their corporate assessment systems.

- **Strict enforcement of ethical breaches:** High-profile scandals (e.g., Samsung, Lotte) have led to rigorous legal action, including prosecution of executives and comprehensive restructuring of governance and ethical practices.

**Lesson learned:** Early education in business ethics and integration of ethical standards into corporate evaluation systems help establish sustainable ethical behavior and practices.

## **4. SOLUTIONS TO ENHANCE BUSINESS ETHICS AMONG VIETNAMESE ENTERPRISES**

### **4.1. Governmental level**

- **Improve the legal framework regarding business ethics:** Review and amend regulations related to anti-fraud measures, environmental protection, labor rights, and fair competition.
- **Strengthen inspection, supervision, and strict enforcement of violations:** Ensure fairness and deterrence in implementation.
- **Support businesses in building sustainable development models:** Provide access to information, training, and technical assistance.

### **4.2. Enterprise level**

- Establish internal codes of business ethics.
- Implement CSR initiatives substantively rather than superficially.
- Provide regular ethics training for staff, management, and leadership teams.
- Ensure transparency, especially in activities affecting the environment, consumers, and communities.

### **4.3. Societal and community level**

- Enhance the role of the media in monitoring corporate behavior.
- Promote the involvement of professional associations and business organizations in setting ethical standards and addressing violations.



- Encourage ethical consumerism to exert positive market pressure on enterprises.

## 5. CONCLUSION

Business ethics is a fundamental element for sustainable enterprise development in the context of a market economy. As Vietnam deepens its integration into the global economy, establishing and enforcing standards of business ethics becomes not only a legal imperative but also a moral and developmental responsibility.

Vietnamese enterprises must shift from short-term profit-seeking mindsets to long-term, humanistic values. The government, society, and communities must jointly cultivate a business environment that is fair, transparent, and ethical—where economic progress aligns with social advancement.

## REFERENCES

- [1]. Ferrell, O. C., Fraedrich, J., & Ferrell, L. (2017). *Business Ethics: Ethical Decision Making & Cases* (11th ed.). Cengage Learning.
- [2]. Transparency International. (2021). *Corruption Perceptions Index 2021*. Retrieved from <https://www.transparency.org>
- [3]. Vietnam Chamber of Commerce and Industry (VCCI). (2024). *Survey on Business Environment and Ethical Practices in Vietnam*. Retrieved from <https://vietnamnews.vn>
- [4]. Vietnam General Confederation of Labour. (2023). *Report on Labour Law Violations in Manufacturing Sectors*. Hanoi.