

BUSINESS ETHICS: THE CASE OF VIETNAM

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Business Ethics

- Ethics tells us the way to act in a certain situation not just to achieve a particular objective but to consider everything around us.
- Business ethics refer to a set of professional or applied ethics that review or study ethical or moral principles and ethical or moral problems that appear in any business environment.
- Issues regarding business ethics arise when there is a conflict between profit-maximizing and the concept of social and legal responsibilities of the business

Business firms became aware of their ethical state in the ending of 1980s and early 1990s to avoid business scandals like loan and savings crisis

Why is business ethics important?

- It is simply the right thing to do
- It is often prescribed within laws and regulations. Violating laws and regulations has obvious legal consequences.
- It is demanded by customers and governments
- Firms that commit ethical blunders attract unwanted attention from opinion leaders and the news media.
- Ethical behavior is good business, leading to enhanced corporate image and selling prospects.

Ethical Challenges

Unethical management practices

- Lack of appropriate regulation and professional standards (1)
- A corporate culture that advocates profit over sustainability and human welfare can lead to employee abuse, harmful procedures, and other unsustainable practices. (2)

The global financial crisis (2008) resulted in part because of 2 main reasons

- (1) Lax management standards also give rise to dishonest accounting practices, in which companies provide deceptive information to investors, customers and government authorities
- (2) senior managers in banks and financial firms neglected to devise safeguards against making bad loans or offering high-risk securities

(Cavusgil, Rammal, & Freeman, 2011, p.159)

Ethical Challenges

Global sourcing

- **Global sourcing** raises concerns about ensuring human rights and protecting the environment.
- Some companies operate sweatshop factories in which employees are children or work long hours for very low wages, often in harsh conditions. Many factories generate substantial pollution.

The use of third – party suppliers is challenging for firms with thousands of partners that operate in a range of cultures and belief systems worldwide (Cavusgil, Rammal, & Freeman, 2011, p.159)

Ethical Challenges

Deceptive marketing, advertising, and selling to induce people to buy products (including financial products)

- Marketers may make false claims about the quality or effectiveness of a product.
(eg: The term of stopping the insurance contract, term of saving)
- Advances in communications technologies allow fraudulent marketers.
- The transnational nature of such scams makes it difficult for law enforcement to catch and prosecute perpetrators. Easy accessibility of the Internet has led shady online marketers to harm unsuspecting consumers (Cavusgil, Rammal, & Freeman, 2011, p.159)

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Ethical perspectives

+ **Relativism** – The belief that ethical truths are not absolute but differ from group to group.

+ **Normativism** – The belief that ethical behavioral standards are universal, and firms and individuals should seek to uphold them consistently around the world.

Combination of relativism and normativism perspectives

The balance between corporate values developed in the home country and local standards

The Vietnamese Code of Business Conduct and Ethics *for Vietnamese Entrepreneurs*

Creating a societal economic benefit;

Abiding by the laws;

Transparency, fairness, and integrity;

Creativity, cooperation, and mutual development

Protecting the environment and respecting nature.

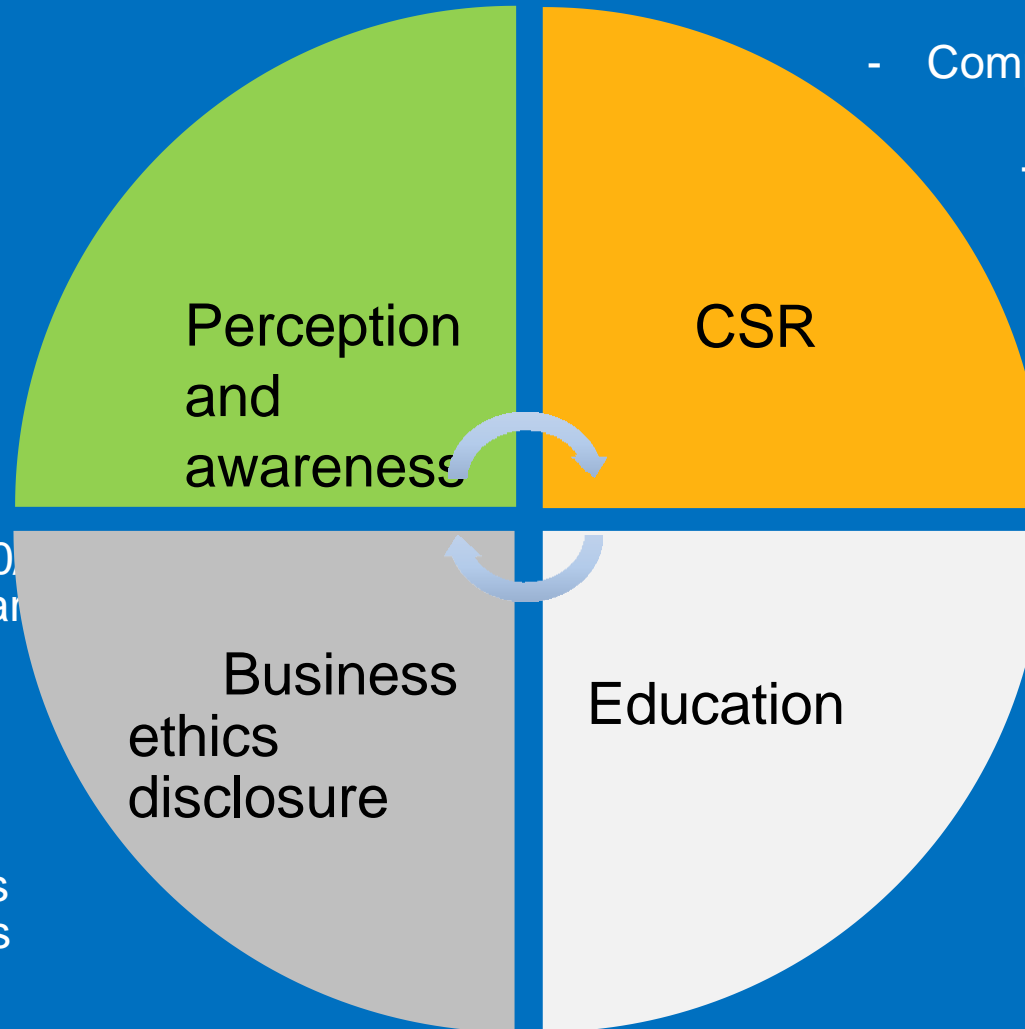
Patriotic, socially and familially responsible.

Source: VCCI (2022)

Ethical Challenges in Vietnam

- Vague awareness about business ethics

- Circular 96/2020 TT-BTC (Circular 96), which regulates information disclosure activities of certain business entity categories in the securities industry



- Choosing the level of action:
 - Complying with law and regulation
 - Ethical behavior
 - CSR

- Business ethics is educated from the child but not really focus on the specific framework (Business)

RECOMMENDATIONS AND CONSIDERATION

+ Consideration should be given to rationalization of the legal and regulatory framework for business ethics (as Code of Ethics suggested by VCCI). For financial consumer protection in order to consolidate relevant requirements, ensure consistency in several regulations as Investment Law, Labour Law, Enterprise law, Consumer protection Law on, Environment Law; respect of similar consumer protection principles across the financial sector and to facilitate supervision, compliance and consumer understanding.

+ Enhancing awareness of business ethics in Vietnam: Embedded business ethics in the university curriculum as main component.

(In most Vietnamese high schools and universities, business ethics isn't taught as a subject in their curriculum or only as an elective subject)

+ Evaluation of business ethics in the Corporate Governance report or even business ethics disclosure (integrated report)

Thank you