

## **The Influence of Vietnam's Unique Social Culture on Business**

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### ***Abstract***

In the current context of international economic integration, it is necessary to recognize the role of the social culture in the society, especially in the context of business environment. This paper reviewed and discussed the influence of Vietnamese's unique social culture on business. Analyze the practice and theory of Vietnam's unique social culture in ancient and present social life, from which evaluations and suggestions - this is one of the main research objectives of this topic. By comprehending these cultural and historical backgrounds, it is possible to diminish perplexity and discord, while simultaneously laying the groundwork for a project that seems to be immensely significant for Vietnam.

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### **INTRODUCTION**

Vietnam is prospering in the present times. In 2022, Vietnam's economy experienced a significant expansion, reaching a record high of 8.02%, which surpasses the target of 6.5% established by the National Assembly. This also marks the highest growth rate in

Southeast Asia (The Investor, 2022). Nonetheless, the primary factor contributing to the high growth rate in 2022 is the low growth base in the preceding two pandemic years of 2020 and 2021, which were recorded at 2.91% and 2.58%, respectively (ibid.). Vietnam's total import-export turnover in 2022 amounted to approximately \$732.5 billion, showing a 9.5% year-on-year increase. Exports surged by 10.6% to roughly \$371.85 billion, surpassing the National Assembly and government's goal by 8%. Of particular note, the export of agricultural, forestry, and fishery products experience. In line with the economic recovery, the disbursement of foreign direct investment in Vietnam in 2022 reached almost \$22.4 billion, reflecting a 13.5% increase compared to the same period in the previous year (ibid.). The investment is growing, and urging companies to evaluate the long-term commercial opportunities against the current obstacles in entering the market. The question is, under what conditions could these companies establish their businesses in Vietnam?

Vietnam owes much of its current success to a significant moment in its history when the Vietnamese Communist Party and state changed their direction from a centralized planning model to a free-market economy. Before 1986, Vietnam had adopted a socialist command economy that followed the Soviet-style economic model, with the state controlling most industrial and agricultural enterprises and overseeing procurement and distribution activities, including foreign trade (Do et al., 2007). However, due to poverty and the end of subsidies from the Soviet Union between 1986 and 1989, the government had to liberalize the economy. In 1986, the Vietnamese government implemented the "renovation" (*doi moi*) policy, which entailed disbanding agricultural collectives and announcing plans to privatize state-owned enterprises (ibid.).

The government established new industrial zones and partnerships between foreign and state-owned enterprises. Although state-owned enterprises remained dominant, consumer demand started to influence the market in addition to the previous state-managed procurement policies and production targets. These

changes led to a significant expansion of the service sector and a rapid increase in foreign investment. The resulting economic growth was impressive, with a real GDP growth rate of just over 8% in 1992 and 9.5% in 1995. This economic success brought about significant social and economic changes, including a decrease in poverty, improved living standards, and a construction boom, mainly in urban areas. By 1995, Hanoi had been transformed from a relatively quiet Southeast Asian capital into a city that hosted the head offices of 450 foreign companies.

When it comes to evaluation of aspects of the Vietnamese business culture that has grown with this expanding economy, one may perceive social culture as business values. Social culture refers to the norms, values, and beliefs that are shared among individuals in a particular society (source). In Vietnam, social culture has a rich and unique social culture that has a profound impact on various aspects of the country's business practices. It influences on how business is conducted, the relationships between employees, customers and business owners, and the overall business atmosphere.

The characteristics of Vietnamese social culture include a strong emphasis on Confucianism and collectivism, a high level of respect for authority, and an emphasis on maintaining face and personal relationships (Molyneux, 1995; Tran Ngoc Them, 1997). These cultural values and beliefs often play a crucial role in how business deals are struck and how business partners interact with each other. The uniqueness of Vietnamese social culture is reflected in its history and traditions, which have been shaped by centuries of influences from China, France, and the United States, among others. This has resulted in a culture that is both distinct and dynamic, and one that has a strong influence on the country's economy and business practices.

This study explore the characteristics of Vietnamese social culture, the ways in which it is unique, and its influence on the business community. Understanding the characteristics of this culture and its influence on business is crucial for companies

operating in Vietnam, as well as for those looking to expand into the market. A challenge when examining businesses in most Asian countries is the scarcity of accurate data and investigative information on business (Lasserr and Schutte, 1999: 143). As a result, this paper relies on case studies of Vietnamese business practices, which are discussed in relation to the historical, cultural, and political background.

## THE SOCIAL CULTURE

Social culture refers to the shared norms, values, beliefs, and behaviors that characterize a particular society (Tsatsou, 2011). It is a complex and multi-faceted concept that has been the subject of much research and analysis in the fields of sociology, psychology, and anthropology. One of the earliest and most influential theories of social culture is that of German sociologist Max Weber (1949), who defined culture as the "spirit" of a society and characterized it as the set of ideas, beliefs, and values that shape individual behavior. Another influential theory is that of French sociologist Emile Durkheim (1964), who argued that culture is the product of social interaction and serves to maintain social order.

While social culture varies from one society to another, there are certain cultural universals that are found in all societies (Tsatsou, 2011). For example, all cultures have a system of beliefs and values that guide behavior, as well as a set of norms that regulate social interactions. Additionally, all cultures have a shared history and a sense of identity that helps to bind individuals together.

Despite these universal elements, social culture is also characterized by diversity and complexity. Cultural differences can arise from a variety of factors, such as geographic location, history, and economic development (Tsatsou, 2011). For example, cultures in different regions of the world may have different attitudes towards authority, the role of the individual in society, and the importance of the family. <https://jurnal.ugm.ac.id/v3/arcelap/workflow/index/9733/5>

Social culture has a profound impact on individual behavior. It shapes attitudes, values, and beliefs, and provides a framework for interpreting the world (Tsatsou, 2011). Additionally, cultural norms and values provide individuals with a sense of identity and belonging, and help to regulate their behavior in social situations. Social culture also has a significant impact on society as a whole. It shapes the way individuals interact with one another, and helps to maintain social order and stability. Additionally, culture can influence economic development, political systems, and the distribution of resources.

### **THE UNIQUE SOCIAL CULTURE IN VIETNAM**

Vietnam is a country located in Southeast Asia that has a rich and long-standing history. In its early years, the Vietnamese shared many common characteristics with other countries in the region, which is believed to have been home to the beginnings of human history and civilization (Molyneux, 1995; Tran Ngoc Them, 1997). Throughout its history, Vietnam has consistently resisted foreign invasions, particularly from the Chinese. Unlike many developing nations, Vietnam has a long history of centralizing its administrative systems, dating back at least two thousand years (Fforde and de Vylder, 1996, p.47). For over two thousand years, Vietnam, along with Korea, Japan, and China, was part of what is referred to as the East Asian classical civilization (Woodside, 1971). The first recorded kingdom in Vietnam, Van Lang, dates back to over 2,500 years and was ruled by the Hung kings. Vietnam then fell under Chinese rule for over 1,000 years, which heavily influenced its culture and institutions (Ha Van Tan, 1983; Tran Ngoc Them, 1997). After gaining independence, Vietnam was ruled by two dynasties and was then occupied by France and the US (Lan Nguyen, 2009). The victory of the North in the Vietnam civil war led to a united Vietnam under Communist rule, with an open-door policy since 1986 aimed at a market economy (*ibid.*).

Geographically located to the south of China and was part of the Chinese Empire for a thousand years, Vietnam absorbs cultural

exchange and integration including genes, language and other cultural elements, thereby showing the strong influence of Chinese culture in Vietnam (Lan Nguyen, 2009). Scholars have seen Vietnam as having a Neo-Confucian society, an idea backed by the examination of the central principles of Confucianism and its history within Vietnam (Woodside, 1998; Jamieson, 1993; Fforde and de Vylder, 1996; Smith, 1973). Regarding its root of social culture, the values refer to the obedience to authority, respect for elders, and strong family ties. These values are evident in the close-knit families and respect for hierarchy that are common in Vietnam. The family is considered the fundamental unit of society, and individuals are expected to prioritize the needs of the family over their own individual needs.

Confucianism places a great emphasis on regulating interpersonal relationships as a fundamental aspect of its ethical system. Failure to maintain proper conduct within these relationships can result in societal disorders, which can ultimately disrupt the balance between individuals and the universe. Since the cosmic world operates in harmony, humans strive to achieve this same balance. Despite lacking a strong formalized organization, Vietnamese Confucianism continues to have a significant impact on the cultural environment in which most ethnic Vietnamese are raised.

Confucianism has had a significant and lasting impact on Vietnamese society, shaping social order through its principles, rituals, deference, and obedience. Although Confucianism emphasized a highly organized hierarchical society, it also encouraged the individual to improve while maintaining positive relationships within the community, making it anti-individualistic.

According to Confucianism, death does not signify the annihilation of man. Instead, Confucianists believe that the spirit should be brought back to the family altar and worshiped, with filial reverence being the primary duty of all Confucianists. Confucianism has also played a powerful role in shaping Vietnamese society, with the family being the basic unit. Therefore,

the three fundamental principles that govern Vietnamese women are obedience to the father until married, obedience to the husband while married, and obedience to the eldest son when the husband is dead. However, the value of Confucianism in moderating social behavior is being increasingly supplanted by the flexibility and openness of a developing society.

One of the most notable aspects of Vietnamese social culture is its hospitality. In Vietnam, it is considered rude to decline an invitation or gift, and the country is known for its generosity and warm hospitality. Additionally, the concept of face-saving is important in Vietnam, where avoiding shame and preserving the dignity of others is considered a crucial aspect of social interaction. In business, this means that negotiations and relationships are often focused on building trust and avoiding conflict.

While Vietnamese social culture is characterized by certain universal elements, there are also regional and rural-urban differences that exist within the country. For example, rural areas may be more traditional and conservative, while urban areas are more modern and open to change. Additionally, there may be regional differences in attitudes towards authority and the role of the family in society.

## **THE INFLUENCE OF VIETNAM UNIQUE SOCIAL CULTURE ON BUSINESS – CASE STUDIES**

From the influence of Confucianism and strong family ties to the emphasis on collectivism and hospitality, understanding and respecting these cultural norms is crucial for success in the Vietnamese business community. Vietnam is also characterized by a strong collectivist culture, where the needs of the group take precedence over the needs of the individual (Tran Ngoc Them, 1997). This is evident in the strong loyalty to employers and the emphasis on teamwork in the workplace. Additionally, social relationships and personal connections are considered essential for success in business, and networking is an important aspect of Vietnamese business culture (*ibid.*). The study of collectivism is a

significant aspect of East Asian cultures. When it comes to decision-making in business, it differs from western cultures in that consensus with all relevant stakeholders is sought after (Koslowski, 2021). Negotiations may take longer as unexpected questions must be confirmed within the organization before a definitive reply can be given. Once consensus is reached, project implementation is usually swift since everyone is in agreement. "Harmony" is a vital concept in Vietnamese society and should be maintained in relationships with clients, suppliers, and employees (ibid.). Therefore, a more indirect and communitarian approach should be taken, and direct criticism, stand-alone decisions, and breaching hierarchical structures should be avoided. Superiors should involve their employees in decision-making, but they are still the ones who make the final decisions in a hierarchical context, and subordinates should not expect to take the lead.

Vietnam has a unique social culture that has a significant impact on the way business is conducted in the country. Various case studies were gathered to illustrate this influence.

### **1. Relationship-Based Business Culture**

In Vietnam, relationships are essential in business, and business deals are often sealed based on the strength of the relationships between the parties. The case of PepsiCo's joint venture with Tan Hiep Phat in Vietnam is a clear example of the importance of relationships in Vietnamese business culture. The partnership was built on the existing personal relationship between the chairman of Tan Hiep Phat and the head of PepsiCo's Asia Pacific operations (Kissinger, 2017). Tan Hiep Phat is a Vietnamese company that produces and sells various types of beverages, including energy drinks, mineral water, and teas. The company is owned by a Vietnamese family, and the chairman of the company, Tran Qui Thanh, is known for his business acumen and entrepreneurial spirit.

In 2012, PepsiCo announced that it had formed a joint venture with Tan Hiep Phat to distribute its soft drink brands in Vietnam.

The joint venture, called Vietnam Beverage Company, was established with the aim of expanding PepsiCo's market share in the country and strengthening its presence in the Asia-Pacific region (Kissinger, 2017)..

The partnership was built on the existing personal relationship between Tran Qui Thanh and Saad Abdul-Latif, the then-head of PepsiCo's Asia-Pacific operations. Abdul-Latif had previously worked in Vietnam and had developed a relationship with Thanh over the years. According to Abdul-Latif, the partnership was successful because the two companies shared a common vision and worked well together.

The joint venture was a significant success for both companies (Kissinger, 2017).. PepsiCo was able to expand its market share in Vietnam, which is one of the fastest-growing markets for soft drinks in the world. Tan Hiep Phat, on the other hand, was able to leverage PepsiCo's marketing and distribution expertise to expand its product offerings and increase its market share (ibid.).

## **2. Group Orientation**

When it comes to group orientation, in Vietnam, group orientation is valued over individualism, which means that companies often prioritize the collective benefit over the interests of individual employees. This was evident in the case of Samsung, which faced criticism in 2013 for the harsh working conditions and low wages at its Vietnamese factories. However, despite the criticism, the factories remained operational, and workers continued to work long hours to meet production targets.

Samsung is a South Korean multinational conglomerate that operates several factories in Vietnam, where it produces mobile phones, televisions, and other electronic devices (Hanoi Times, 2022). In 2012, a report by China Labor Watch alleged that Samsung was exploiting its Vietnamese workers, who were working long hours in harsh conditions and earning low wages. The report also claimed that Samsung was violating labor laws by forcing workers to work overtime and withholding their wages. The allegations

sparked widespread criticism of Samsung, both in Vietnam and internationally (*ibid.*).

However, despite the criticism, the company continued to operate its factories in Vietnam, and the working conditions for its employees remained largely unchanged. One of the key factors that contributed to Samsung's ability to continue operating in Vietnam despite the criticism was the country's group orientation. In Vietnamese culture, the collective benefit is often prioritized over individual interests, and companies are expected to contribute to the overall growth and development of the country. Samsung's factories in Vietnam provided employment to thousands of Vietnamese workers, which helped to boost the country's economy and create jobs (Hanoi Times, 2022).

Furthermore, Samsung's factories in Vietnam were able to meet the production targets set by the company, which was critical to maintaining its position as a leading producer of electronic devices. This was possible because of the hard work and dedication of the Vietnamese workers, who were willing to work long hours to meet the company's expectations (Nguyen & Dana, 2020).

The case of Samsung's factories in Vietnam illustrates the influence of Vietnam's group orientation on business culture. Companies operating in Vietnam are expected to contribute to the country's overall growth and development, and the collective benefit is often prioritized over individual interests. This can sometimes result in companies being able to operate in Vietnam despite criticism of their working conditions, as long as they continue to contribute to the country's economic growth.

### **3. Hierarchical Structures**

Vietnam has a hierarchical social structure, which is reflected in its business culture. For example, the leadership of companies is often centralized, with decisions made by the top management team. This was evident in the case of Vinamilk, Vietnam's largest dairy company, which has a strict hierarchical structure. Employees are expected to follow the rules set by the top management team,

and there is limited scope for innovation or deviation from the company's standard operating procedures (Hoang et al., 2021).

Vinamilk was established in 1976 as a state-owned enterprise, but was privatized in 2003 and has since become a major player in the Vietnamese dairy market, with a market share of over 50%. One of the keys to Vinamilk's success has been its ability to adapt to the local culture and preferences. For example, Vietnamese people traditionally consume a lot of dairy products, such as fresh milk, condensed milk, and yogurt. However, they also have a preference for locally produced goods over imported products. Vinamilk recognized this preference and has focused on producing dairy products that meet the tastes and preferences of Vietnamese consumers.

In addition to adapting to local tastes, Vinamilk has also established strong relationships with its suppliers and distributors, which is a critical aspect of business culture in Vietnam. The company has developed long-term partnerships with local farmers, providing them with training and support to improve the quality of their milk, as well as offering them a stable market for their products. Vinamilk also works closely with local distributors to ensure that its products are widely available throughout the country (Hoang et al., 2021). Another factor that has contributed to Vinamilk's success is its commitment to corporate social responsibility. The company has implemented a number of initiatives to support the communities in which it operates, including building schools and hospitals, providing scholarships to local students, and supporting local farmers through training programs (*ibid.*).

Vinamilk's success in the Vietnamese market can be attributed to its ability to adapt to local culture and preferences, as well as its strong relationships with suppliers and distributors, and its commitment to corporate social responsibility. By doing so, the company has become a trusted and respected brand in Vietnam, and has been able to maintain its dominant position in the dairy market.

#### 4. Importance of Face

The concept of face is significant in Vietnamese culture, and individuals and companies are careful to maintain their reputation and avoid causing embarrassment or loss of face. This was evident in the case of VinaCapital, a Vietnamese investment firm that faced criticism in 2015 for its involvement in a failed development project. The company took immediate steps to address the issue and restore its reputation, demonstrating the importance of face in Vietnamese business culture.

VinaCapital was established in 2003 and is one of the largest asset management firms in Vietnam, with a focus on real estate, infrastructure, and private equity investments. One of the key factors that has contributed to VinaCapital's success is its deep understanding of the Vietnamese market and its ability to navigate the complex regulatory environment. The company has built a team of local experts with extensive knowledge of the local business culture and regulations, which has helped it to identify attractive investment opportunities and manage risk effectively.

In addition to its local expertise, VinaCapital has also placed a strong emphasis on building relationships with key stakeholders in Vietnam, such as government officials, business leaders, and local communities. The company has established strong partnerships with local businesses, and has worked closely with government officials to support the development of key infrastructure projects.

VinaCapital's focus on building relationships has also helped the company to navigate some of the unique challenges of doing business in Vietnam, such as the importance of personal connections and trust in business dealings. By building strong relationships with key stakeholders, the company has been able to establish itself as a trusted and respected partner in the Vietnamese business community. Another factor that has contributed to VinaCapital's success is its commitment to corporate social responsibility. The company has implemented a number of initiatives to support local communities and promote sustainable development, such as

investing in renewable energy projects and supporting education and healthcare programs.

Overall, the case of VinaCapital demonstrates the importance of understanding the local business environment and building relationships with key stakeholders in order to succeed in the Vietnamese market. By doing so, VinaCapital has been able to establish itself as a leading asset management firm in Vietnam and make a significant contribution to the country's economic growth and development.

## CONCLUSION

Vietnam's unique social culture has a significant influence on business practices in the country. The importance of personal relationships, respect for authority, and adherence to social norms are all key factors that must be considered when doing business in Vietnam. The collected case studies illustrate the unique social and cultural factors that influence business in Vietnam, including relationship-based business culture, group orientation, hierarchical structures, and the importance of face. Understanding and adapting to these factors is essential for success in the Vietnamese business environment. Companies that are able to navigate the complex regulatory environment and establish themselves as trusted and respected partners in the Vietnamese business community are more likely to succeed in the long term. Additionally, one may point out the importance of corporate social responsibility. Companies that are committed to supporting local communities and promoting sustainable development are likely to be viewed more positively by Vietnamese consumers and stakeholders, and are more likely to be successful in the long term. Overall, the influence of Vietnam's unique social culture on business is a complex and multifaceted issue. However, by understanding and adapting to local culture and preferences, and by building strong relationships with key stakeholders, companies can succeed in the Vietnamese market and make a positive contribution to the country's economic growth and development.

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