Business Culture Issues in Vietnam: Case Studies
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ABSTRACT

What practical issues can arise when doing business in Vietnam? How is Vietnam adapting to the demands of the market economy? In particular, how does a knowledge of Vietnamese business culture, and history, help to clear up misunderstandings – especially involving relations between foreign business people and representatives from Vietnamese business and government? Does the Vietnamese experience have a broader value in the Asian region, where numerous different societies have been seeking a way to engage vigorously in international commerce – yet without losing touch with their own ethical foundations?

As we examine frustrations with joint-venture partnerships, disputes over the need for forward planning, demands for paternalistic generosity on the part of employers and persistent and sometimes disorienting interference by the State in commercial affairs, it becomes clear that three types of context need to be carefully analysed. First, there is the culture of poverty – in some ways as influential as the reality of material deprivation; secondly, in Vietnam the family has been a vitally important institution, partly as a model for business associations; thirdly, the Vietnamese state has a special history, influenced by Chinese tradition and by the traumatic experience of foreign invasion, and this history can lead to unusual (by international standards) demands being placed on commercial initiatives.

Understanding these cultural and historical contexts can help to reduce confusion and tension – and it has the capacity at the same time to provide a basis for a project that appears to be of critical importance for Vietnam itself. In Vietnam and in many other counties there is a desire to modify the impact of the market economy. The aspiration is to develop a local ethical framework for business activity – and it can be argued that for this to be an authentic framework it necessarily needs to be grounded in the ethical and value system that is generally influential in the country. The research reported in this monograph – the research on business experience and also on foundational values - is a step toward creating such a framework.

This volume presents case study material relating to business in Vietnam. It outlines real issues and problems that have arisen – and then seeks to provide a cultural and historical context in which to
understand them, and perhaps even solve them. The research was undertaken in a cooperative project between Australian National University researchers and the St. James Ethics Centre, and received funding from the Australian Research Council. The St. James Ethics Centre helped to establish both the directions of the Project and a most valuable cooperative arrangement with the Vietnamese Ministry of Trade in Hanoi. The study owes much to the initial research of Dr. Greg Lockhart, who undertook case studies, interviews and surveys. Further valuable research was undertaken by Dr. Thien Do.

In these case studies we have not given the real names of companies and key personnel. Also, footnotes have been kept to a minimum. More detailed notes may be obtained from the authors.

INTRODUCTION

Vietnam today is thriving. Vietnam has a GDP growth in 2007 of some 8.5%. - a milestone achieved in part by a substantial boost in exports to the USA, thanks to the US-Vietnam Bilateral Agreement which came into effect in December 2001. Other major export destinations are Japan and China; Australia is fourth with about 8% of the total. As The Australian Financial Review of 11 January 2008 observes, investors now "flock to Vietnam", with the government approving some USD20 billion in foreign direct investment over the last year. As an investor in Vietnam Australia is well behind in 18th place, but the investment is growing and the Australian Department of Foreign Affairs and Trade is urging companies to "assess the long-term commercial attractions against current difficulties in entering the market". What is the context in which such companies might develop businesses in Vietnam?

Much of Vietnam's current success can be traced back to a watershed moment in its history when the Vietnamese Communist Party and state began to shift from centralised planning to a free-market economy. In the socialist command economy before 1986, Vietnam had followed a Soviet-style economic model. The state had control of all industrial and most agricultural enterprises and managed all significant procurement and distribution activities – including foreign trade. But between 1986 and 1989 poverty and the cessation of subsidies from the Soviet Union forced the government to liberalise the economy. The Vietnamese government introduced its 'renovation' (doi moi) policy in 1986. Under this policy, agricultural collectives began to be disbanded and plans for the privatisation of state owned enterprises were announced. A Foreign Investment Law was promulgated, opening the market to foreign direct investment. Official policy began to stress a mixture of import substitution policies in industries such as steel and construction, and export strategies in textiles, footwear and primary products, especially rice.

The government began to develop new industrial zones and foreign-state joint ventures. The state-owned enterprises remained dominant, but the market was now influenced by consumer demand rather than just state-managed procurement policies and production targets as before. Together these reforms resulted in an enormously expanded service sector and a rapid increase in the influx of foreign investment. Real GDP growth was just over 8% in 1992, and 9.5% in 1995, resulting in sweeping social and economic changes. Vietnam's economy took off, contributing to a reduction in poverty and an improvement in living standards and a building boom, mainly in the cities. By 1995 Hanoi had been transformed from a sleepy Southeast Asian capital into one that hosted the head offices of 450 foreign companies.

This monograph explores aspects of the Vietnamese business culture that has grown with this expanding economy, especially its ethics. It does not explore that culture as an abstract system, but rather business values and ethics as they were lived out and recorded in case study and surveys. Eleven businessmen and women working in Vietnam in the late 1990s were observed and interviewed in depth. A survey of a hundred Vietnamese business managers was also undertaken with the cooperation of the Vietnam Ministry of Trade in Hanoi – a survey that asked Vietnamese business managers how they did their business and what they thought was important in achieving success. In the first instance, therefore, this monograph is a study of ethics in action – a descriptive study. In the final chapter, however, after completing an investigation into the cultural contexts of business ethics, we conclude with a discussion of the basis on which a new ethical framework might be built to suit the current business climate.

This monograph is not, of course, the first to talk about business in Vietnam in ethical terms. Some Western commentators have been highly critical of Vietnamese business practices. Others have been positive. Much of the success which Vietnam experienced with the implementation of the doi moi agenda in the late 1980s and early 90s, for example, was talked about in ways that related Vietnam’s post-1986 growth to particular virtues or ethical attitudes. For example, an American guide to Vietnam, published in 1995, recommended investment in the country because of particular virtues in its people:

"Vietnam’s people are imbued with a culture that emphasises sacrifice, hard work and
education. Although the decades of war have left Vietnam very poor, the country has an abundance of natural resources and a large and potentially industrious work force. In this sense... the nation’s untapped riches are within the grasp of foreign investors” (Quinlan, 1995: 6).

During the economic boom enjoyed by most Asian countries in the early 1990s, some influential Asians not surprisingly were even more inclined than Westerners to describe their economic success in ways that hinted at a larger ethical framework. Perhaps best known was the article Ten Values that help East Asia’s Economic Progress, written by a former Singaporean ambassador and director of that country’s Institute of Policy Studies, Tommy Koh. It described Asian values in ways that had ethical overtones. It spoke of an Asian lack of individualism, adding: “East Asians believe that whatever they do or say, they must keep in mind the interests of others. Unlike Western society, where an individual puts his interests above all others...” The Asian belief in strong families, the article explained, means “Divorce rates are much lower than those in the West, and Asians do not, as a rule, abandon their aged parents”.

Koh went on to list other values in highly moral tones: “East Asians believe in the virtues of saving and frugality...East Asians consider hard work a virtue...” (International Herald Tribune 14 Dec 1993).

Such confidence faltered with the onset of the Asian Economic Crisis in July 1997, a development that was especially damaging to Thailand, Indonesia, Malaysia and South Korea, and also saw Vietnam’s rate of growth decelerate. Many foreign investment projects were cancelled, and exports fell sharply. In 1997 there were at least seventy closures of foreign companies operating in Vietnam; in 1998 there were another one hundred and twenty closures. The highest unemployment in a decade (11 %) was recorded as the garment, leather, textiles and footwear sectors retrenched 30% of their workforce and foreign-invested companies laid off 15% of their workers because of falling demand for exports (Nathan, 1999: 356). Profound regional disparities also began to appear. Where improved living standards and industrialisation occurred they did so in the urban areas, especially on the area around Ho Chi Minh City in the south. About 57% of people in rural areas lived in poverty compared to 26% in urban areas.

Further afield a moralising of a different type now emerged. Just as the boom in the early 1990s had elicited observations of particular Asian ethical qualities, so too did the economic crisis of the late 1990s. But now Asian business practices and ethics tended to be seen (especially by Westerners) not as the key to their economic success, but rather as the cause of their downfall. As one Western World Bank economist who was working in East Asia at the time recalled:

“When the crisis broke out, I was surprised at how strongly the IMF and the US Treasury seemed to criticise the countries – according to the IMF, the Asian nations’ institutions were rotten, their governments corrupt, and wholesale reform was needed” (Stiglitz 2002: 90).

In influential World Bank, IMF and US Federal Reserve critiques of the crisis ‘good governance’ was identified as the solution, along with the elimination of ‘crony capitalism’ - especially in the Asian countries where the economic crisis hit hardest. What these critiques meant by ‘crony capitalism’ was capitalism based on links between government and business that colluded against the emergence of Western-style free markets. And the good governance medicine prescribed was institutional reform leading to more ‘accountability’, ‘transparency’ and ‘the rule of law’.

The Asian Economic Crisis and its aftermath inspired soul searching in Vietnam as elsewhere. Old questions about Vietnam were dredged up in business studies literature – for instance why, if they share with the Chinese many cultural features and Confucian values, have the Vietnamese not turned out to be as good business entrepreneurs and capitalists as Chinese (Abrami, 2002; Chan et al., 1999). In their own self-critical appraisals, Vietnamese examined their attitudes and behaviour, such as the particular emphasis on ‘feeling’ or ‘sentiment’ (tinh cam) in transactions, and their weaker cooperative spirit compared to the Japanese.

The Vietnamese government was also self-critical. A 1998 essay on “The Influence of the Asian Financial Crisis on Vietnamese Investment and Trade” by an official in the Ministry of Trade urged analysis of the crisis, so that “we can examine ourselves, apprehend our weaknesses and strengths” (Ministry of Trade, 1998: 191). In this he was following the renovation agenda (doi moi), implying regeneration of all aspects of society and economy leading to a general renewal of Vietnam’s quest for modernisation, development and a better life. This government essay assumed that integration into the regional and world economies should be the goal of renovation policies and that rule of law, transparency and accountability would be necessary to do this:

“Regular changes in the policy and law-making systems will be unavoidable in a process of transforming the structure of the economy so as to perfect it. But [policy and laws] must guarantee the principles of systematic public disclosure and transparency (cong khai, minh
CASE STUDIES

One problem with looking at business in any country in the Asian region is that, aside from Singapore and Japan, the availability of reliable statistics and forensic information on business is usually limited (Lasserr and Schutte, 1999: 143). For this reason this monograph is based on case studies of Vietnamese business culture. They are presented with comment on the historical, cultural, and political contexts, and are supported by a survey undertaken of one hundred Vietnamese business managers.

The survey was conducted as Vietnam was emerging from the Asian economic crisis in 1998. Its aim was to identify conceptions of business and business practice across a wide cross section of Vietnamese companies, especially those likely to be involved in foreign trade. Such companies were most likely to be state owned enterprises, which dominated the economy in the late 1990s, when there were some 640 in Hanoi and 738 in Ho Chi Minh City. In this survey of business culture, weight was also given to the private sector. At the time private companies were generally smaller but more numerous. Sixty of the one hundred enterprises surveyed were from the state sector and forty were from the private sector. They were evenly divided between the two largest Vietnamese cities, with fifty companies selected from Hanoi and fifty companies from Ho Minh Chi City. Of all these enterprises, 75% said they were involved with import/export.

For the case studies, three Australian-owned, four Vietnamese-owned and four Singaporean-owned enterprises (mostly established in the late 1980s) were selected.

Vietnamese-run enterprises

The four case studies of Vietnamese-run businesses are based on interviews conducted with the owners/directors of medium to large-scale private enterprises in Ho Chi Minh City and Hanoi. Each person interviewed headed a private enterprise which employed substantial numbers of people. The first two enterprises employed between one hundred and one hundred and fifty people, the third about 400, and the fourth over one thousand.

The Vietnamese interviewees were: Mr A, the managing director of a medium-sized garment factory in Ho Chi Minh city; Mr B, the director of BB Water, a medium sized plant in Ho Chi Minh city; Mrs C, the vice-director of CC Embroideries of Hanoi; and Mr D, the son of Madam D, the founder and director of a large ceramics company (employing over one thousand people) in the village of Bat Trang, some fifteen kilometres from the centre of Hanoi.

In some ways this Ministry of Trade document responded to the Asian economic crisis in the same way as the World Bank. It acknowledged that “policy and laws” that “guarantee systematic public disclosure and transparency” are important. However it went on to diverge from the usual global prescriptions. In this Vietnamese document, even more important is the “education and training” of government officials, managers and planners, and indeed the entire work force of the country, in a vast national program. For without this, the essay claims, the policy and legal systems will be “deformed” by the shortcomings of individuals. The World Bank’s “good governance” entailed an impersonal methodology concerning the way in which people are governed. But the Vietnamese notion of “government” outlined in this government document is very people-oriented, or personal. It argues for renewal in all aspects of government, including renewal of the people actually doing the governing.

Following Vietnam’s recovery from the Asian Economic Crisis and subsequent growth, ethical issues have continued to be a concern – both for foreigners who seek to engage in business in Vietnam and for Vietnamese themselves. The ongoing campaign of doi moi by the Vietnamese government has continued to portray ethical issues as important in the task of facilitating the country’s economic success, including attracting foreign investment. In part, this is recognition of the fact that market economies ultimately depend for their effectiveness on the maintenance of an ethical framework that prescribes lying, cheating, the oppressive use of power and other factors that create distort the operation of otherwise efficient markets.

The development of ethical prescriptions is generally acknowledged to be vital; but it can be argued that this can only be achieved effectively if it is grounded in an understanding of actual practice, and of the ethical foundations of that practice. For Vietnamese as well as for foreigners planning business futures in Vietnam, it is necessary to know about the everyday practices, values and attitudes of the Vietnamese people, not only when they engage in business activities and relations amongst themselves, but also when they deal with foreign business people who work in their country. It is these practices and values, and their cultural and historical contexts that this monograph explores in the next chapters. We commence by outlining a series of case studies.

bach) and be able increasingly to engage with regional and world standards” (Ministry of Trade, 1998: 192).
In these four Vietnamese case studies ‘family’ soon emerged as a recurring theme. Three of the interviewees built their narratives around family stories, while the fourth, who stressed his own individual efforts, still said the family provided the capital he needed to go into business. A further theme involves political connections – knowing people in government and knowing how to utilise the association for the benefit of one’s business.

Cao AA - private garment enterprise
Mr A described his garment factory as a private enterprise, despite the fact that the army occupied one half of the building in which his factory is housed. He followed his father into the garment trade after growing up working in the family business. His father was a renowned tailor who was selected to make clothes for high-ranking cadres of the Vietnamese Communist Party and received a state ‘Award for the Garment Industry’. The name of his company is ‘cao AA’. The second syllable was capitalised to emphasise the importance of his father’s name ‘AA’ which he combined with the Vietnamese word ‘cao’ (meaning ‘high’), which is left in lower case in the company logo.

Mr A expanded the business in 1991 with USD20 000 from his family and USD70 000 worth of machinery, material and thread from Japan. Mr A then went to Japan for three months of training, which he said introduced him to international standards in the garment industry and discipline in management. These international standards included getting rid of oil and chalk marks from the garment before it is sold. In Vietnam it is common to wash new garments before you wear them for the first time. However Mr A learnt from his time in Japan, and also from the reaction of his international customers, that other cultures wear newly-bought clothes straight away.

Despite the influence of the Japanese on his work, Mr A still saw his father - who had died - as central to his business. Mr A took pains to explain his business card and company’s name ‘cao AA’. The way his father’s name was combined with ‘cao’ (‘high’), he said, suggested the ascendant spiritual presence of his father. In the interview he said that the two mountains shown on his business card referred to his ‘father’s influence’ which “has been like a mountain in my soul”.

BB Water
Mr B was the director of BB Water. Like Mr A, he started his business with capital borrowed from members of his family. Thereafter, however, Mr B’s family had very limited involvement in the business. Mr B emerged as the most individualistic of the four Vietnamese case study participants. He seemed to have sole control of his business. For example, after describing how he set up the bottling plant and negotiated with government officials to get the necessary papers, he said:

“I also had to do almost everything myself. At the beginning I bought the land, designed the buildings and supervised the construction. I had to interview and train each person. Also I had to discipline people.”

He explained that he could not delegate discipline because workers would ‘react’ if they were admonished by “anyone but the boss, the owner of the company”. His exercise of authority extended to having to tell a typist how to type a letter and fax it to a foreign company, checking for mistakes constantly, aware (he claimed) that a Vietnamese secretary would “put the letter aside when work finishes at 4:30” unlike a non-Vietnamese secretary who would “simply work until she completes the task”.

Mr B outlined his schemes to keep employers at his factory. After he trained them he gave them a share in the business, so that if profits went up that year they would be shared across the company. He also offered annual bonuses and a retirement scheme that gave out larger payouts the longer the workers stayed at the factory. All this he explained was in addition to the workers’ social benefit and medical benefits which he was legally required to pay. Despite all these loyalty schemes, however, many of his workers supplemented their income with money from what he called ‘odd jobs’, or moonlighting. This outside work, he explained, “is partly why they (were) not devoted” to his enterprise.

In the interview Mr B complained that “Vietnamese don’t think for themselves” - although this may also have been a result of his belief that “you almost have to take their hands and do it for them step by step”. Because of his ‘hands-on’ approach in introducing these foreign standards, Mr B proudly asserted “People think BB Water is a foreign company because of the organisation”.

Mr B’s complaints about his staff not taking individual responsibility may show that he has had a more individualistic attitude than them. This attitude, he suggested, had been picked up on his trips to France, Japan and other countries in Southeast Asia. However, it may also be symptomatic of a more general individualisation of Vietnamese culture in recent years due to increasing urbanisation and industrialisation.

CC Embroideries - garments and silk for export
The third interviewee was Mrs C, the vice director of CC Embroideries. Her drapery shop is situated in Drum Street, Hanoi – a street which has been home to
embroidery shops run by families from the Quat Dong region since the nineteenth century.

Mrs C set up her company in 1988 as a private (non-state) enterprise with her husband, mother and twenty workers. At the time she was interviewed her mother was director, and she and her husband vice-directors, with four hundred workers spread over three factories and one showroom. Her husband was in charge of production, while she was in charge of the company’s exports. This role in exports stemmed in part from the fact she went to the University of Foreign Trade, but mostly from the ‘experience and contacts’ she gained when she worked for the Ministry of Foreign Trade.

These contacts in the state bureaucracy obviously helped her business. Although she described her business as ‘100% private’, CC Embroideries was still officially well-connected. Mrs C’s contacts from her bureaucratic background continued to serve her well. Advantageous tax concessions were available to the company and orders were handed on from state companies. When, despite these official connections, export orders dropped off during the Asian economic crisis, she said they used the time to reorganise the workshop and enhance the skills of workers.

Mrs C explained that her workforce members were productive because she looked after them. They worked eight hours a day and, like Mr B’s employees, received ‘social insurance’ and medical benefits. Most of her workers were women, and Mrs C explained that when they got pregnant they did not work as fast - but she would tell factory managers and customers to “not be too hard on them”. She herself used politeness or respect to encourage them.

Mrs C indicated in the interview that there were tensions between herself and her husband over family duties which had to be fitted in around the business. Nevertheless, as long as business remained relatively modest, it was the family enterprise and efficiency of CC Embroideries that enabled the company to handle such orders and give an international profile to a business that has flourished in Drum Street for centuries.

**DD Ceramics**

The fourth interviewee was Mr D, the son of Madam D, the founder and director of DD Ceramics company. Madam D was not present but her presence loomed large in the discussions. Something of a local celebrity, Madam D was the only woman heading a Bat Trang company which exports ceramics around the world. Bat Trang is a village some fifteen kilometres from Hanoi centre which has been famed for its ceramics for centuries.

An article in the *Vietnamese Economic Times* (21 August 1999) had described Madam D as ‘very much a girl of her village trade’. After training under the master artisans in village potteries as a girl, she went to work in the exports section of Bat Trang ceramics state cooperative, trading mainly to the old Soviet Union and Eastern Europe. Armed with the contacts that she had made in this state cooperative, she set up her own private family business in 1989. She consulted lecturers from the Hanoi University of Fine Arts on the creation of new pottery and porcelain designs - and then expanded into other provinces and beyond Vietnam, getting handicraft export businesses to order from her catalogue, taking samples to Ho Chi Minh City and sending samples overseas with Vietnamese Trade Attaches. She also went to China to study ceramics at Kiangxi (Giang Tay), the capital of the Chinese ceramics trade. She said she intended to send a son to China to learn the language, and then to Kiangxi to learn the trade.

Again the idea of ‘family’ is very much at the forefront of her son’s explanations for the success of his family’s business. He explained that the firm had sub-contracted work to about one hundred families in the area, contracts being made with the family unit. In part this approach was adopted because it is “easy to trust the families”. Mr D’s own family is passionate about the business. “The whole family has one aim”, declared Mr. D, “perfecting our trade and building a long-term investment”. This idea of the company as a long-term investment is another reason he gave for the success of his family’s business. Other Vietnamese companies in the area, he said, are “interested in the short term and do not have long term strategies and don’t have the strength and capacity to invest in the long term”.

These four Vietnamese case studies share the common thread of family. The Vietnamese entrepreneurs all began with help from their families – whether in the form of capital, or as joint enterprises involving members of the family. It is notable that the two women were running ‘family’ businesses with husbands, children and parents taking up various executive positions within the family.

There was also the common thread of personal contacts with government. The majority of these Vietnamese entrepreneurs had contacts with the government through earlier work in government institutions – or, in the case of Mr B (the director of the water plant), this contact was through his father. The entrepreneurs mentioned only in passing how these official contacts helped their businesses – suggesting they expected this help virtually as a matter of course.
Singaporean-Vietnamese joint ventures

The case study in the next group were based on interviews with four Singaporean businessmen who set up and ran joint-venture businesses in Vietnam, in collaboration with Vietnamese business partners. Two of the Singaporean interviewees said independently that they thought Vietnam was "forty or fifty years behind Singapore" and thought this was not entirely bad. The majority of the Singaporean directors enjoyed their work in Vietnam, particularly its social aspect, including celebrating festivals of a type that has diminished in importance in Singapore. Their nostalgic enjoyment of Vietnamese culture, however, was mixed with a certain amount of paternalism. With one exemption, all the Singaporean directors interviewed felt that they should be responsible for the most important business matters rather than leaving them in Vietnamese hands.

EE Hotel

The first Singaporean ran a hotel in Vietnam for four years beginning in 1995. After one year working in Cambodia, Mr E was appointed by his Singaporean company, an independent firm, to be the general managing director of the four-star EE Hotel at Ha Long Bay. It took several months for the project to be approved by Vietnam’s State Committee for Cooperation and Investment (SCCI). The final twenty-five-year contract was signed - with provisions for training Vietnamese staff, for formal replacement of skilled foreign nationals with Vietnamese staff, and for preference to be given to Vietnamese domestic producers in the procurement of inputs.

The hotel was launched as a joint venture with a Vietnamese vice-director, who mainly dealt with Vietnamese authorities, and a deputy-director, who dealt with Vietnamese personnel. The chairperson of the board of management of the joint venture was also a Vietnamese executive.

Although Mr E sought a Vietnamese partner who had good political and social contacts as well as access to marketing networks, he did not devolve much power to his Vietnamese partner. They agreed that the Vietnamese partner would mostly recruit lower level employees. With thirty years experience in hotel management, Mr E insisted on complete control of staff recruitment and most personnel management. Believing that conditions in present-day Vietnam are like those of Singapore forty years ago, he felt certain that the battle against corruption and nepotism would not be won unless he took executive control of his finances. He stopped unaccountable loans being authorised by his Vietnamese executive, particularly the Vietnamese manager on the board of management.

Mr E maintained Vietnamese culture was very similar to Chinese culture. He believed that respect should never be demanded, but must be shown by management to workers if management expects it to be returned. He regarded his staff as members of a family, and regularly treated them to feasts at other luxury hotels’ restaurants, where he joined the staff party as one of the revellers. When a female staff member - whom he considered to be like his own daughter - got married, he organised her wedding reception, enthralling the Vietnamese guests with novel features that were the latest fashion at Singaporean weddings.

Mr E put a great deal of time and energy into training his staff. Being an experienced cook himself, he showed his hotel’s staff how to include Japanese, Malay, Western and regional Vietnamese dishes in the menu, making good use of his library of sixty or so cookbooks. More importantly, he thought that it was imperative to "change the Vietnamese way of thinking" in carrying out their professional duties in the new hospitality trade. He regularly sent staff to Singapore for training, with generous travel allowances. He was proud of the fact that his staff always topped the class and became group leaders to trainees from other hotels. He taught staff how to handle difficult customers. He paid high salaries to staff who proved their competence. Returnees from overseas refugee camps were preferred employees, as he thought they had been exposed to the world and therefore could readily understand his point of view and rationale for his conduct of the enterprise.

FF Complex

The next case study features a project that was not so successful. The FF Complex was a quasi-governmental joint venture between a Singaporean state subsidiary of the Housing Development Board, and Vietnamese officials. Together they planned to build a ‘town’ on 150 hectares near Ho Chi Minh City at the cost of USD700 million. Two years were spent by the Singapore company imparting ideas about government involvement in city planning and urban development to Vietnamese officials. During that time, the Singapore company invited officials from Hanoi and Ho Chi Minh City to Singapore to visit the State Housing Development Board projects and to participate in organised tours on urban planning. The general manager of FF Complex, Mr F, personally fetched Vietnamese architects and engineers from their hotels for a visit to the Singaporean Urban Authority headquarters before taking them on to the Singapore seminar.

The USD700 million project, however, never eventuated. Negotiations were protracted and difficult. By 1994, the managing director asked Mr F to look for a smaller project in Hanoi, to use it as a standby until a licence for the large project could be
obtained. This smaller project was the only project to be realised. Approval was obtained after eighteen months for the construction of the FF Complex joint venture complex in a district south of Hanoi, with an outlay of USD5 -7 million and a contract length of thirty-six years.

Mr F made a considerable saving on the cost of the foundation for this project by procuring consultancy services from the National University of Hanoi’s department of Civil Engineering through personal contacts. The chief consultant engineer became his close friend and took a continuing personal interest in the development of the complex. With 70% overseas shareholding, FF Complex grew to approximately sixty-six accommodation units (apartments), shops and restaurants - with the major restaurant specialising in seafood, developed and operated by Mr F.

One of the reasons the initial larger development near Ho Chi Minh City never eventuated was disagreement between the various levels of Vietnamese bureaucracy. The master plan for the development was approved by the Ho Chi Minh City people’s committee. The Hanoi central government was the final arbiter, however, because the project was classed as a ‘group A investment’ due to the large amounts of money involved. In 1994 plans for the larger project were brought to Hanoi for approval, which could not be obtained because of a lack of agreement between the major players within government – the Party Politburo, the council of ministers and the Army. Finally, the licence for the larger project was only to be given on such different conditions that it had to be dropped. Many people who had bought land when it was first announced in the newspapers lost money.

In hindsight, Mr F feels that research for the larger initial project should have been carried out beforehand. The Singaporean partners realised too late, for example, that the Vietnamese government only allowed foreigners to buy property in Vietnam when the investment is worth less than USD10-20 million. It was also found that the Vietnamese government understood the property market in a different way. For example, the government stipulated that the deadline for the completion and final selling up of the property must be ten years. The Vietnamese government believed variable market conditions would not favour such time limits and the property might need to be sold in more or less than ten years. The Vietnamese government, however - used to a ‘whistleblowers’ of being unpatriotic. He also spoke to-day basis. Mr F found that Vietnamese workers felt his status as the so le bearer of Singaporean business culture was a problem. As foreign staff salaries were considered the highest cost, he was the only Singaporean member in the FF Complex. The deputy manager and the rest of the staff were all Vietnamese. This was in contrast to the joint venture’s board of management which had a ratio of three Singaporeans to two Vietnamese executives in its composition, including a Singaporean chairman. The board of management, however, only met once a year and did not help Mr F run the complex on a day-to-day basis. Mr F found that Vietnamese workers tended to cover for each other, and accused ‘different sense of fair pay for fair work’.

Despite these problems, however, Mr F found the venture personally rewarding. He made deeply satisfying friendships through working relationships, such as the one with FF Complex’s chief engineer. He admitted that the firm’s objective - to construct and manage a whole town-complex - was not realised. But he still felt that the same principle which had helped the firm get as far as it did - mutual trust - was correct, and remains absolutely necessary for all realistic profit-sharing relationships.

**Hanoi GG Textile Group**

The third Joint Singaporean-Vietnamese venture in Hanoi travelled a smoother road. The GG Textile Group was incorporated in 1992 under a licence issued by the Ministry of Production and Industry as a Joint venture, with shareholders from Singapore and Malaysia in an 80-20 ratio. The GG Group had a paid up capital of USD4.5 million and annual turnover about USD3 million in 1999. Its two divisions specialised in woven and knitted garments aimed at the overseas international market. Major products included jackets, twill pants, shorts, denim pants, polo shirts and sweatshirts. Its exports have mainly gone to the European Union and Canada.

The driving force behind the GG Textile Group was Singaporean Mr G, with years of worldwide experience in setting up garment factories where labour costs are favourable. He came to Vietnam in 1989 with the idea of setting up a factory to sew clothes for export with the latest technology, during the difficult early period of changeover from a
centrally planned regime to an open market economy. He met the then Foreign Minister and developed a close friendship. He said they were “like brothers”.

He was asked to take over an old State-owned-Enterprise garment factory site not far from Hanoi City, which he gutted and refurbished from scratch with imported plant and equipment. He invited officials from the Hanoi People’s Committee, and various Ministers, to visit ASEAN countries and tour factories there. There were no skilled sewing-machine operators or experienced business managers, so he sent employees to Singapore and Malaysia for training. He also invited experts from overseas to come and train his staff, in addition to the in-service training run by his Singaporean staff.

Starting with one hundred employees, his factories grew to one thousand employees. Like his fellow Singaporean, Mr E, Mr G claimed Vietnam was like Singapore forty or fifty years ago. Like Mr E, he felt he was good at discerning and accommodating the different attitudes of the groups involved - government officials, Party committee members, office staff and factory hands.

**HH Steel**

Mr E’s and Mr G’s juggling of state and Party factions is repeated in the last Singaporean – Vietnamese joint venture case study. In this case, however, the ‘juggling’ act was not so successful. In this case study the Singaporean General Manager departed early because of frustrations with the Vietnamese partners and was replaced by an American of Vietnamese descent. The expatriate executives interviewed were extremely frank about the role the Vietnamese government played in HH Steel’s business affairs. So frank were they that they explicitly asked that they not be named.

HH Steel was set up by a wealthy Singaporean conglomerate with interests in property, hotels, manufacturing, finance and Chinese language media in Singapore, Malaysia, Vietnam and China. Its initial foray into Vietnam was, in part, at the behest of the Singaporean government. Many Singaporean joint enterprises were established in Vietnam from the early 1990s, in part to support the emergence of a market economy there. In 1994 HH Steel joined with a Ho Chi Minh City construction company (run by the City’s Peoples Committee) to set up a medium-sized factory making steel tanks – gas containers, pressurised cylinders – for industrial and domestic purposes in Ho Chi Minh City. However, like many foreign businesses in Vietnam, it was doing little more than surviving in the late 1990s. From a commercial perspective, HH Steel’s decision to produce steel tanks was promoted by its existing capacity in this field in China and Malaysia. A new Vietnamese market had opened for gas in the early 1990s and no other manufacturer in the country was producing containers for it.

From the Vietnamese perspective, the idea of importing the capital, technology, and skills to set up a local capacity to manufacture steel tanks was attractive, as it fitted with its import substitution policies for steel products. The government agreed to provide the necessary protective tariffs to assist in the establishment of the industry. HH Steel proceeded with the investment in plant and equipment from the United States and Germany. With approval for a joint venture obtained from the Vietnamese authorities in 1993, production began in 1994.

The enterprise, which employed some 160 workers by 1999, was seventy percent owned by the Singaporean partner and thirty percent owned by the Vietnamese one, the Ho Chi Minh City Construction Company. HH Steel provided the capital and plant, and the Vietnamese partner provided a sun-baked site and a run-down building. The board of directors was established with five Singaporean members elected by the shareholders and responsible to HH Steel. The two Vietnamese directors were responsible to the Ho Chi Minh City People’s Committee – which ran the Construction Company.

Beneath the board of directors was the Singaporean-appointed general manager. The factory opened with this Singaporean general manager and a deputy general manager, who was a Vietnamese national and a relatively high-ranking member of the Communist Party.

HH Steel operations in 1995 produced a profit. In 1996, however, the business experienced a major downturn. This bottomed in 1997 when the first general manager left in frustration, and the board of directors’ meetings were characterised by what one informant described as ‘misunderstandings and differences’. The Singaporean general manager was replaced by an overseas Vietnamese from the United States. He had been born in Vietnam and was a native speaker of Vietnamese. In America, his professional qualifications and background were in mechanical engineering. He had also worked for HH Steel in other parts of Asia. He felt some initial shock at things such as surveillance by the government - including his telephone conversations being listened to - but was laid-back enough to accept this as part of doing business in Vietnam.

The problems HH Steel experienced in 1996 were not only the fault of the departing Singaporean general manager or misunderstandings at board meetings. There were external financial pressures as well. The Vietnamese government did not give HH Steel the tariff protection it had promised, and in 1996 cheaper Thai products flooded the market. This was due to an
oversight by the Vietnamese government which had a import tax on components needed to make steel tanks but virtually no import tax on manufactured tanks. HH Steel could not compete with large Thai companies which would deliberately drop prices to destroy local competition, and afterwards raise their prices. The situation became catastrophic when the Thai Baht lost half its value after the Asian Economic Crisis erupted in July 1997, and even cheaper Thai products flooded the market. HH Steel was forced to close its factory for some months, as the Singaporean partner lobbied the government for tariff reform. This lobbying took eighteen months because government officials were unwilling to take responsibility for making the decision to raise tariffs on completed cylinders. During this period, HH Steel employees continued to receive seventy percent of their pay, as required by law. HH Steel did consider closing their factory in Vietnam permanently - but a large conglomerate like HH Steel had the capacity to subsidise its Vietnamese investment from revenues elsewhere in its global empire. HH Steel eventually won the promised tariff protection when one senior official, with considerable experience of the outside world, comprehended the problem and undertook to increase tariffs on completed cylinders. The factory resumed operation.

The difficulties HH Steel experienced illustrate several issues which emerge also in the other case studies in which foreigners have been dealing with the Vietnamese government. Firstly, the Vietnamese government promised tariff protection to attract foreign investment to the country. Secondly if the government sometimes failed to live up to contractual promises such as those regarding tariffs, it was often an indication of oversight or disorganisation rather than a deliberate act. Thirdly the government protected Vietnamese workers through laws with requirements such as the continuation of seventy percent of their pay even when their workplace is shut down. Lastly, getting the government to fix an oversight took a long time because many bureaucrats failed to take personal responsibility for decisions. This last theme may be thought to be universal: most countries complain about buck-passing by bureaucrats. In many of our case studies, however, a diminished sense of personal responsibility seems to have emerged both outside and inside the public service. The Vietnamese businessman, Mr B, as we saw, complained about it in his staff.

In the case of HH Steel, another problem arose when the factory building was subject to break-ins and pilfering. When a burglar was caught, the police “did nothing” because they felt “a big foreign company could easily afford such a thing”. This ‘Robin Hood patriotism’ - stealing which is acceptable because one is taking from the rich foreigners to give to one’s poor fellow countrymen and women – arose in several case studies. As a theme it links individual and governmental ethics in our case studies. In several of our case studies Singaporean and Australian business people felt that Vietnamese government officials expressed sympathy for wealth transfer of almost any type from richer foreigners to poorer Vietnamese.

To summarise, these three Singaporean-Vietnamese case studies contain several common threads. For example, the HH Steel case study was marked by the same sort of misunderstanding between the Vietnamese government and Singaporean business executives which we also saw in the FF Complex case-study. In both these Singaporean-Vietnamese joint ventures, the Vietnamese government seemed to jeopardise the attainment of its own desires: it wanted a large housing complex for visiting businessmen and to attract foreign investment, and it wanted gas cylinders built. Yet it didn’t support gas cylinders with its tariff arrangements and it could not agree amongst its own levels of bureaucracy about the first large FF Complex. In these cases the Vietnamese government seemed to fit the FF Complex’s Singaporean manager’s description of having a short-term approach – that is, of holding the view of “take what you can get now and not wait for what you really want to come through”.

We also saw that in some cases misunderstandings with the government were overcome by personal relationships with individual officials. Misunderstandings were avoided by ‘becoming like brothers’, as the Singaporean Mr G of the GG Textile Group achieved so successfully with a Vietnamese Minister. On the other hand, we also saw that generally the Singaporeans (including Mr G) were more paternalistic in their personal relationships with the Vietnamese than brotherly.

The Singaporeans in these case studies regarded the Vietnamese as being as new in the 1990s to capitalism as Singapore had been forty or fifty years previously. The avuncular concern for the inexperienced capitalists of the ‘less mature’ Vietnamese economy emerged as a further common feature connecting these Singaporean-Vietnamese joint ventures.

**Australian-Vietnamese joint ventures**

A roofing company, a hospital and a sand-mining company were the diverse businesses chosen as Australian-Vietnamese case studies. The Australians involved in these joint ventures all acknowledged that in Vietnam they were working in a very different business culture from their own. Two of the three Australian-Vietnamese joint ventures suffered as a result of local political power struggles and were eventually sold off or closed, while the third was a cultural and business success.
**YY Roofing**

In our research the YY Roofing was the most successful Australian-Vietnamese joint venture. The Australian Mr Y had been a partner for many years in a roofing materials business in Australia. After a suggestion from an associate, he began to consider taking his business to Vietnam. After a number of trips there, he sold his share of his Australian business and committed every cent he owned to a joint venture between his company and a Vietnamese company, whose director was Mr J. This joint venture company, called YY Roofing, began producing in November 1992. By 1997 YY Roofing was one of Hanoi’s greatest small business successes. Mr Y sold his flourishing business in that year, after which YY Roofing continued to lead the market in roofing materials and sought to diversify its products.

With Mr Y as General Manager, and his wife and son also involved, the company prided itself on being a family firm. Mrs Y was involved in the general oversight of the company’s affairs and their son became the Operations Manager. This family aspect, it might be argued, meshed well with Vietnamese tradition. But more than just his own immediate family, Mr Y expanded his concept of ‘the family’ to include everyone who worked for him. When interviewed about his Vietnam business Mr Y said he felt “proud saying that YY Roofing is a big family”. He explained that it was a very egalitarian ‘family’ that spent a lot of time together, not only at work but also “going to picnics, to football games, organising parties” together. He went on to explain that this led to “internal solidarity” which he felt was a major reason for the growth of YY Roofing and its success.

The happy conjunction of the Y family firm and Vietnamese family values was also helped by Mr Y’s contributing to Vietnam through public lectures, and by his respecting their customs. Mr Y, a former English teacher, taught English to Vietnamese professionals on a weekly basis. This activity was so helpful in enhancing Mr Y’s reputation that it was still being mentioned on Vietnamese television years later. In 1993 and 1994 he was also a regular guest lecturer to Vietnamese people studying Western business ethics. At the same time, he considered that observing Vietnamese traditions – such as the all important “tea time and talk” routine before homing in on the point of the meeting – was an important component in achieving objectives. The fact that his son’s wife was Vietnamese also helped to promote the family image of the company. For example, in 1994, the cover story of *Vietnam Economic News* - entitled “A big commitment to Vietnam” - contained an interview with Mr Y’s son and featured a wedding photo of him and his Vietnamese wife.

YY Roofing’s General Manager was sent to study business management in Singapore partly at YY Roofing’s expense. In Hanoi ‘YY’ became a household name. Apart from articles in the Vietnamese language press, which actually discussed the ‘family’ style of the YY venture as well as its motivation and product, by the late 1990s the term had become something of a generic term. One could sometimes hear on television references to things or objects that are “as straight as a YY roof.”

As we shall see however, the YY Roofing phenomena, was not all smooth sailing. Mr Y was shocked at the frequency with which government agents and other middle men asked for bribes, or ‘commissions’ as under-the-table payments were called. From the outset he refused to pay ‘commissions’. There were also clashes of values. Mr J, the Vietnamese partner in the venture, seemed at times to be fraudulently taking advantage of the YY Roofing, despite his part share in it. Mr Y complained about Mr J’s activities to the Vietnamese government, differences with them also became apparent as police and other officials refused to act or saw the alleged crime quite differently from Mr Y. Difficulties also arose with the Vietnamese emphasis on a cash economy, with people taking up both time and expense to pay debts in cash and in person. The limited development of the banking system in Vietnam was a further frustration. How the family of Mr Y overcame these obstacles while remaining true to their own ethical framework is instructive for anyone considering how to conduct oneself in a cross-cultural joint-venture.

**The LL Hospital**

The second Australian-Vietnamese joint venture is the case of the LL Hospital, begun in 1993 when a Western Australian Chinese Chamber of Commerce Delegation from Perth visited Vietnam. During this visit one of the members of the delegation, a Perth surgeon, Dr L, had discussions with the Vietnamese Ministry of Health over a possible joint venture with Hanoi’s MM Hospital. The Western Australian Chinese Chamber of Commerce hastily formed the Indochina Medical Company as a basis for negotiations, but it was not until 1995 that the company was capitalised and a successful bid launched to win Vietnamese government approval for a joint venture with Hanoi’s MM Hospital. After constructing a small but state-of-the-art hospital in Hanoi, the LL Hospital opened on 22 October 1997.

Patient admissions to this hospital unfortunately never lived up to the forecasted needs of a rapidly modernising market. It was an international standard hospital with a comprehensive range of services and specialisations, yet no more than twenty of its fifty-six beds were ever occupied. Despite this the hospital was well-managed culminating in a rationalisation of its services and downsizing in July 1999. Its accounts finally broke even in October 1999. But just as the
hospital seemed to be adapting its operations to the local market, it was sold to a French company which continued running it as a hospital in its scaled-down form.

A large part of the hospital’s problems stemmed from overly optimistic forecasts of the growth of the Vietnamese economy proven wrong by the Asian economic crisis. It had been set up primarily for expatriates living in Vietnam, wealthy foreign tourists and wealthy Vietnamese who could afford to pay its high (by Vietnamese standards) medical fees. Both expatriate and Vietnamese pools of potential patients dried up with the Asian economic crisis: expatriates left as foreign companies in Vietnam closed down, and the already small proportion of rich Vietnamese grew even smaller. It was also found that wealthy Vietnamese would not book into a private hospital for fear that such an ostentatious display would lead to jealousy, especially on the part of bureaucrats who could make their lives difficult.

As well as the Asian economic crisis, the complexity of transplanting expensive medical care into a socialist and almost uniformly poor society was not foreseen. Dr L was the chairman of the board of the LL Hospital and a Professor M from MM Hospital was its vice-chairman. Dr L originally performed sophisticated keyhole surgery on two peasant women in an effort to get his team’s bid approved by the government. He entered into a joint venture with an under-equipped and desperately crowded hospital, the MM Hospital in which patients slept two or three to a bed. The relationship between the hospital and the local economy was never resolved, but interesting ethical dilemmas were raised by the obligations of a comparatively wealthy institution in the midst of widespread poverty.

**NN Mining**

The third and final Australian-Vietnamese joint venture, NN Mining, ended in a complete breakdown of the business partnership between an Australian mining company and its Vietnamese partners. This failure, however, contains valuable lessons about Vietnamese business ethics in a cross-cultural encounter. Late in 1992, PP Ltd of Australia, one of the largest black sand mining companies in the world, embarked on a joint venture with various Vietnamese companies to mine and process mineral sands in the central Vietnamese province of Ha Tinh. The Vietnamese side of the joint venture was made up of two Vietnamese companies: a mining company which was subordinate to the national Ministry of Heavy Industry based in Hanoi, and another company subordinate to the People’s Committee of Ha Tinh Province. Together these three companies formed a joint venture company called ‘NN’ to mine mineral sands, primarily ilmenite (black sand), used in the production of paint and pigments for export to Japan. The heavy mineral deposits in Ha Tinh province were already being exploited, but in a primitive fashion by 1,800 miners working with shovels, wheelbarrows and sluices for processing in twenty-three state-owned separation plants.

After speedy negotiations with a single Vietnamese representative of both the Vietnamese companies - who stayed in Perth for only a month - details of an agreement were drawn up between the two Vietnamese companies and PP Ltd. Happy with the results of its negotiations, PP Ltd overlooked legal and other advice from consultants and concluded a relatively rapid deal. Little attention was given to the problem of translation, especially with regard to Vietnamese government regulations, as it seemed unthinkable to PP Ltd that the Vietnamese would not understand the basic concepts of the agreement they had in mind.

The joint venture was licensed in December 1992 - with the aim of exploring for, mining and processing mineral sands. The Vietnamese government’s long-term aim to modernise mineral processing in the area was reflected in the stipulation in the investment license that from the fifth year onwards, the company would commence building an artificial rutin plant and, from the ninth year, a titan pigments manufacturing plant. The Australian partner, PP Ltd, contributed 60% of the capital and promised to commit expertise, technology and USD2.9 million to modernise the project and establish NN Mining as a competitive exporter to world markets. A member of the provincial People’s Committee, Mr P, was appointed general director of the board of management. The company went into official operation in 1993.

Almost as soon as it began operating in Vietnam, the Australian partner, PP Ltd, ran into problems in the joint venture relationship. In the first year of its operations (1993) there were disagreements over the role of the Vietnamese general director of the board of management. The Vietnamese side argued that the opening of the company’s bank account, the nomination of the account owner and the consequent approval of expenditures did not conform to legislation. Furthermore, the company stipulated that any bank withdrawals required the signatures of two members of the board of management, one of whom must be an expatriate. The Vietnamese believed that this arrangement created a loophole for the foreign party to withdraw money without the consent of the Vietnamese parties, a situation PP Ltd did not believe to have arisen.

At the same time controversy over the downturn in the local economy caused by the company’s reorganisation of mining operations and redeployment of labour began almost immediately.
The large number of workers who had formerly been involved in local mining – between 1,200 and 1,800 – was an issue for PP Ltd, especially as it tended to pay premium wages.

In 1994 a fortuitous visit by a senior politician from the government of Western Australia, the Australian home state of the company, temporarily soothed the troubled joint venture to the point where, at a meeting in Hanoi in November 1994, the NN Mining board of management agreed to expand and modernise NN Mining’s ilmenite exploration, with a loan of USD4.5 million from the ANZ Bank. NN Mining’s chairman described this as “bringing modern equipment [to Ha Tinh] to ease the mining and separation process”. A dispute followed, however, between PP Ltd and the local Ha Tinh Provincial government - because the imported machinery was likely to cause unemployment. The Vietnamese partners said that the current employees “must be recognised as permanent staff of NN Mining”, and be re-assigned to maintenance work.

At the time NN Mining’s board decided to import this labour-saving machinery, the Vietnamese government perhaps coincidentally decided to investigate NN Mining’s activities. The inter-ministerial investigation team set up by the State Commission for Cooperation and Investment (SCCI) released its findings in 1995 - just as a dispute with the general director of the NN Mining board, Mr P, culminated in the allegation by PP that Mr P was involved in an illegal sale of ilmenite to Japan.

The Vietnamese government team made a series of allegations against PP Ltd personnel. Their findings included: the lack of progress towards the first objective stated in the investment license, the building of a rutin plant; the conduct of mining without an approved plan; a defective accounting system; the absence of the general director’s signature on labour contracts; the failure to separate NN Mining and PP Ltd expenses and the company’s failure to pay for the Ministry of Heavy Industry geological documents. Between 7 December, 1994 and the first quarter of 1995 the SCCI sent four official letters to NN Mining requesting that they solve the above problems.

In response to the SCCI’s requirement that the general director’s role be adjusted in accordance with current law, the chairman of the board of management (Mr N) took over Mr P’s role of general director. This seemed, however, to intensify the discord within the board of management. Also, a hold-up at Hai Phong Port of forty-two containers bound for NN Mining in 1995 could not be resolved in the Australian company’s favour.

The problem of the containers on the docks arose from a lack of coordination in the first half of 1995 between the board of management, Mr P, the general director, in executing the Company’s export policy, the Ministry of Trade and the SCCI. In February 1995, PP Ltd sent Mr P a list of the selected machinery and equipment with costs. In March Mr P signed a letter requesting the Ministry of Trade approve the 1995 import plan. In April the Anti-smuggling division at Hai Phong Port sent a letter requesting that NN Mining’s general director (Mr P) go to Hai Phong to claim the goods. This could not be done because the SCCI report charged that PP Ltd unilaterally brought the goods into the country before all the necessary procedures had been completed, pre-empting approval by the Ministry to Trade. Nor did the company have the necessary shipment licence from the Ministry of Trade based on the approved annual import plan. By July 1995 the forty-two containers were reportedly branded ‘illegally imported goods’ despite the declaration by the General Department of Customs that the goods were in conformity with the list approved by the Ministry of Trade itself.

Efforts to resolve the dispute failed, resulting in a complete shut down of operations. Meanwhile the local authorities advised PP Ltd that the equipment containers impounded at Hai Phong had been confiscated and advertised for sale. Meetings between the SCCI, the Ministry of Heavy Industry and local Ha Tinh authorities decided that, as well as dealing with the containers, a new board of management and board of directors would have to be appointed from among people of good will with a good grasp of Vietnamese law. These talks resulted in NN Mining paying workers their salaries for a period when PP Ltd had suspended operation in accordance with the Vietnamese practice of continuing salaries during a period of shut down.

Mining operations limped on for almost another year but NN Mining’s problems would not go away. PP Ltd believed that the Vietnamese partners sought to take control of the joint venture’s revenue and ultimately the enterprise itself by cooperating with bureaucrats to harass the Australian parent company and the Australian expatriates. Provincial officials imposed restrictions on Australian expatriate personnel in Vietnam, and some were even arrested by the local People’s Committee for allegedly failing to have obtained visas in the proper manner. However, it was the more formal government grievances with Westralian’s choice of auditing company, delay in attending to problems raised and failure to build the promised rutin and pigment plants which eventually led to the break-up of NN Mining in 1996.
Relationships with the ruling Vietnamese Communist Party - as we concluded at the end of the overview of the Singaporean case studies - were important to the success of a joint venture. However, NN Mining was a joint venture thick with ‘cadres’. A member of the local People’s Committee was on the board and, as we have already noted, the two Vietnamese companies that were party to the joint venture were quasi-governmental; one was linked to the central government and the other to the provincial government. But despite these solid government connections problems still arose. It may be that some of the difficulties in this joint venture arose, in part, out of conflict between the central and local levels of government – a conflict transmitted into the relations between the Vietnamese joint partners. Permission or authority given at one level of government might have been opposed by the other level. It has not been possible to question Vietnamese officials in a way that would allow us to know if this was the case.

The situation was further complicated by the fact that some officials worked for both the national government based in Hanoi and the local, provincial government simultaneously. Ha Tinh is well known as an economically depressed region with a long history of revolutionary resistance dating from the colonial period. As a result it has tended to produce a disproportionate number of powerful politicians, including many in the central government based in Hanoi. When negotiations began, therefore, a number of officials from one of the Vietnamese partner companies - who held positions not only in the national Ministry of Heavy Industry but also in the central provinces of Vietnam - were involved.

The stories of these three Australian-Vietnamese joint ventures range from the undoubted success of YY Roofing company to NN Mining’s succession of problems, ending in the final withdrawal of the Australian partner from the venture and from Vietnam. The LL Hospital is somewhere in between these two extremes - with initial problems, which were mainly financial, being finally surmounted.

It is interesting that all three enterprises in these Australian case studies, including YY Roofing, were sold or closed down. The Australian managers and staff appear to have returned home, unlike most of our Singaporean managers who, at the time of the case study, seemed to be enjoying Vietnam so much that they had settled there for good. With the exception of Mr Y (and presumably his son who married a Vietnamese), the Australian managers and staff in the case study did not stress the importance of friendships with Vietnamese or their enjoyment of Vietnamese customs. Of course it may be that they just did not talk about them. These Australians may well have enjoyed friendships with many Vietnamese and loved their customs, but they did not feel it was relevant to a narrative about their businesses. They may have been imbued with the traditional ‘Western’ idea that one’s working life and personal or social life are separate - if so, this points to a significant difference between these Australian managers and their Singaporean counterparts.

The Singaporean managers (and Mr Y) talked about their socialising with their Vietnamese staff as very important. The Singaporean managers may have perceived a difference between their home country and Vietnam when they said it was like Singapore forty or fifty years ago, but even this comment points to a shared cultural inheritance - a Chinese-influenced cultural heritage, including the legacy of a Confucian respect for hierarchy in family and work situations. Australians, from this perspective, have further to go when adjusting to Vietnamese culture compared to their Singaporean counterparts. No Australian made the comment that “Vietnam is just like Australia forty or fifty years ago”, and such a comment would have been nonsensical. Modern Australia with its predominantly British legal, educational and employment institutions is even further removed culturally from Vietnam than is modern Singapore. This observation is supported by a finding of the survey done for this monograph. When the one hundred Vietnamese business managers were asked “is it easier to do business with other Asian investors than with Western or Australian ones?” the biggest proportion of them agreed that it was: 42% answered “yes” compared to 35% who answered “no”.

Overview
It assists in reflecting more clearly on the business ethics presented in this multitude of case studies if we sort them according to the different points of reference. There are business ethics, for instance, in which the individual is the referent. We look at the private ethical beliefs and attitudes held by each person in the case studies, particularly when the personality or attitude of one person seems important to the success of a business, as in the case of the Vietnamese Mr B or the Australian Mr Y. Then there is a second category in which the referent is a small institution such as the family or village. In business this might mean the ethics of dealing with family units, such as the contracts DD Ceramics made with other potting families in Bat Trang village, or perhaps the ethics of how to juggle family life with one’s business as Mrs C (in the garment business) chose to do. The third major point of reference to emerge from the case studies is the state - the business ethics of the government bureaucracy and its many officials. For example, in the two Australian-Vietnamese joint ventures, YY Roofing company and NN Mining company, the ethical question of whether or not the state is a fair and impartial arbiter in business disputes arose.
As well as the contexts which straddle these eleven case studies, certain themes are also shared between them. The issue which is central to this monograph, the differences between Vietnamese and non-Vietnamese business cultures is prevalent in the Australian case study. For example, we see the ‘individualistic’ ethics supposedly unique to the West, displayed by Mr Y in the YY Roofing case study. Mr Y, with his strong personal ethics based in the Christian tradition, found the prevalence of bribes or, as they were also called, ‘commissions’, the most confronting part of doing business in Vietnam. Many Australian and Singaporean businessmen also expressed an aversion to bribery which they saw as entrenched in the Vietnamese business culture. They put it down to a lack of ethics on the part of individual Vietnamese or perhaps the widespread poverty in Vietnam. However other case studies show that an aversion to bribery is not just confined to Westerners, but is widely shared by Vietnamese as well. As Mr A said when he described how his garment business sidestepped overly complicated customs procedures,

‘...you have to use bribery. The enterprises have complained to the government about bribery and the newspapers have written many reports about it, but it hasn’t had any effect.’

Furthermore, this individualism is also practised (and preached) in the case study of the Vietnamese businessman, Mr B. In the next chapter, Mr B is reported as explaining his attachment to notions of individual responsibility as the result of his travel overseas. But we also explore the possibility that it might be the result of a new individualism emerging in Vietnam as the influence of the clan and village wane. The change in Vietnamese business culture and ethics due to increasing urbanisation and industrialisation emerges in many of the case studies.

Poverty is another theme which runs through the case studies. In the late 1990s Singaporean and Australian businessmen were doing business with a Vietnam which was undeniably poorer than their home countries. The Australians in the LL Hospital, for example, realised many of their expectations were dependent upon a certain standard of living and adjusted their expectations in the face of the harsh material poverty of their Vietnamese patients and colleagues.

A related theme to emerge from the case studies is the fact that poverty has cultural effects in Vietnam, as well as material ones. Certain attitudes borne of poverty have become engrained in the culture, such as short-term thinking in business. As Madam D’s son pointed out in the DD Ceramics case study, most Vietnamese companies “don’t have the strength and capacity to invest in the long term”. Attitudes borne of poverty persist, even in people no longer poor. For example, a short-sighted business attitude was exhibited by Mr Y’s Vietnamese business partner, Mr J, who was a well-paid co-director of Vietnam’s most successful roofing company. Despite this Mr J could not rise above the old windfall mentality of ‘take what you can, when you can’ and committed fraudulent acts. His countrymen, including the authorities to whom Mr Y complained, accepted this matter-of-factly. They thought his dishonesty should be expected as ‘a matter of course’ when a Vietnamese was in partnership with a wealthy foreigner.

The case studies suggest the influence of another custom that is probably rooted in centuries of believing that there was ‘not enough to go around’. Ordinary Vietnamese appear to have been hiding what little surplus or wealth they have for fear of it being taken from them. Everyone from private tradesmen through to professionals hid their wealth from the state. Private subcontractors hid their tools of trade. Even doctors who are sick seem not to have stayed at more expensive hospitals for fear jealous bureaucrats might stymie their career if they reveal their wealth. These and other strategies are examined in the next chapter, and are considered with reference to some theoretical observations on the ‘culture of poverty’ - the historical legacy in Vietnam of wealth and power being centralised, first in the royal court, and then in the Communist party.

The theme, however, which emerges most consistently in our case studies is ‘the family’. The centrality of the family in the Vietnamese psyche comes through clearly. The family is the most important ‘survival strategy’ by which Vietnamese guard against want. In most of the case studies new Vietnamese businesses were established with start-up capital provided by the entrepreneurs’ families. In most cases families also helped to run the businesses. As we shall see, one of the reasons for the prominence of families in business in Vietnam is that families formed a private, ‘black market’ economy long before doi moi legalised such dealings. This pre-eminence of families in business, however, would seem to be far more than just a pragmatic ‘survival strategy’. The family is the main organising principle in most Vietnamese lives.

For many Vietnamese, their families have defined who they are and what they do. We saw entrepreneurs in the Vietnamese case studies who inherited their families’ traditional occupations – although they then expanded the hereditary occupation in keeping with the newly capitalist Vietnam of the late twentieth century. Mr A’s father, for example, was a tailor - an occupation Mr A expanded into a garment factory. Similarly Madam D expanded her family’s traditional potting craft into a ceramics manufacturing and
export business. But their families have not just helped their businesses. For most Vietnamese it has been the other way around. Their businesses exist to help their families. The majority of the one hundred Vietnamese we surveyed said they became first involved in business because they thought it was good for their families.

The case studies also reveal the strong sentiment Vietnamese have felt towards the idea of the family. The idea of the family in many ways is just as important as the reality of blood relationship. Vietnamese can be ideationally related. Examples from the case studies show that general low levels of trust in Vietnam are mitigated by extending the idea of family outwards to cover even those you are not related to, but with whom you work or have business dealings.

An idealised concept of the Vietnamese family emerges from the case studies as autocratic, hierarchical and respectful. The family hierarchy is Confucian with the oldest male at its top and youngest female at its bottom. The next chapter will consider how this respect for those above you in the hierarchy has been inculcated in Vietnamese children and also mitigated by Vietnam’s other religious inheritance - Buddhism.

The relationship between Confucian attitudes to business and women arose in the two case studies which featured Vietnamese women who established and ran their own companies. One of these women was a vice-director along with her husband. During the interview she talked frankly about how she balanced her supposed ‘subordination’ to her husband within the Confucian family, with her equality with him as a fellow vice-director of the company.

A further feature encountered in many of the case studies is the rituals that are followed in Vietnam to strengthen family bonds within the ‘family’ of the workplace as well as families that are related by blood. Eating and drinking, particularly dining out, arose in the case studies as indispensable to doing business in Vietnam. Foreign companies tapped into this when they made appeals to family loyalty by treating their staff in restaurants or flying them to holiday resorts.

As well as the family, the state is also prominent in all the case studies. The central government, it is clear, has controlled many sectors of the economy - including lending by banks. From the evidence of our case studies, the Vietnamese state wanted the increase in the gross national product and rising living standards that capitalism brings, but it did not want the loss of its own power. Many government officials in our case studies did not seem to want to decentralise power into other institutions, including impersonal laws and procedures. They still relied on personal relationships. That is, business people had to get to know their local cadre in order to do business. Often these personal relationships with Vietnamese Communist Party (VCP) officials became familial. As we saw, the Singaporean Mr G (in the GG Textile Group case study) said he and the Vietnamese foreign minister became ‘like brothers’.

The two strongest threads running through our case studies, the family and the state, cross and overlap so many times that often they become entangled. In different places, in different case studies the Vietnamese state gives the impression of working to replace the family, replicating it or strengthening it. The state protects Vietnamese workers through laws obligating employers to insure them and pay them even when the factory is shut. However this paternalism was not universally heralded by the Vietnamese in the case studies. We will see that one Vietnamese employer, Mr B wanted the paternalism extended to bosses as well. Another, Mr A, said that private companies like his were like an ‘adopted child’. Vietnamese business people, it emerges, recognise the state as the Confucian father but perhaps not in the idealised form the state would like.

More than half of our case studies explore the theme of how the Vietnamese state treats foreigners. Singapore businessmen, judging by the few in the case studies, are more ready to accept personal relationships with government officials and state surveillance. But from the point of view of many foreigners working in Vietnam, the state’s paternalism towards its own translates into xenophobia towards outsiders.

From the evidence of our case studies the Vietnamese state appears to have been caught in a dilemma, wanting some aspects of foreign investment and not others. It has appeared at times to be suspicious of foreigners, never quite trusting them. For example, the director of HH Steel was under surveillance, including the tapping of his telephone. As we saw in the NN Mining case study, that an Australian-Vietnamese joint venture could be plagued by difficulties culminating in the bureaucratic harassment and arrest of some of its Australian staff. Perhaps those difficulties arose, in part, because of government bodies and officials trying to maintain the power differential between themselves and foreigners. For many of the foreigners in our case studies the actions of the Vietnamese state were disconcerting and disorientating. These foreigners tended to find Vietnamese culture as a whole puzzling and confronting. It is an aim of this monograph to lessen some of that puzzlement and discomfort by exploring the contexts of business approaches in Vietnam, examining in particular
Vietnamese understandings of their own business culture.

Caveats

Before we begin an exploration of cultural contexts, however, a number of caveats must be brought to the reader’s attention. Firstly, while all these case study contain ethical lessons in retrospect, of course not every aspect of their success or failure can be attributed purely to issues of business ethics or cultures. There may also be practical reasons why an enterprise succeeded or failed, such as market demand or the Asian economic crisis, which began in mid 1997 and continued to affect the Vietnamese economy until 2000. The practical details of each separate case study are not our primary concern here. The next chapter will not consider each case study separately but rather interrogate them for what they tell us about Vietnamese business culture and business ethics. What matters most of all is how the details help to summon up the ethical framework through which individuals moved and interacted.

The term ‘ethical frameworks’ is not meant to suggest unchanging, monolithic sets of instructions for behaviour that people follow rigorously. Our brief outline of the case study has already hinted that, like most people, the business people surveyed exhibited a variety of heterogeneous, disparate behaviours and beliefs. One of the most influential moral philosophers in the late twentieth century, Alasdair MacIntyre, has argued that people today possess only “disordered” fragmentary remains of the unified, shared schemes of morality that ruled in ancient Greece, Rome and medieval Europe (1987). While his argument is Eurocentric, his observation that most people’s moral ‘frameworks’ are ramshackle and undergoing constant renovation could apply to many of the people in the case study. Indeed it could be argued that today only religious fundamentalists subscribe to completely consistent, unchanging moral frameworks. Having said this, however, we will see that broad ‘family’ resemblances can be discerned between the responses that many Vietnamese in the case studies have to an ethical conundrum - compared to, for instance, the responses common to Australians or shared by Singaporeans in the case studies.

These different ethical frameworks are necessarily drawn in broad brush-strokes in the next chapter. Many of the more subtle, myriad differences between the ethics of each individual person or say, the business cultures of Hanoi and Ho Chi Minh City, have also been left out. Such nuances have been sacrificed for the sake of clarity and brevity in the next chapter. References to Singaporean business ethics, for example, will not detail contrasts in the business cultures, histories and attitudes of the different ethnic groups of Singapore. Similarly Australian business ethics will be sometimes glossed as ‘Western’, meaning the broad cultural features shared by Western Europe and America, even though many Australians are of non-Western descent or background and even ‘Anglo-Australians’ have developed local styles and characteristics that contrast with those encountered today in the United Kingdom or the United States. Sometimes in the next chapter, the umbrella term ‘Western’ will even be used interchangeably (and to some extent inaccurately) with a more over arching term, ‘globalisation’. This ‘global’ culture which has a style inspired by the consumption of the most affluent, mainly Western countries seems to have its business culture dictated by the long reach of stock markets, international banks and institutions such as the World Monetary Fund and the World Bank. Global fashions and standards in everything from hairstyles to accounting give another (pan-cultural) dimension to the cross-cultural exchanges that can take place in international business.

The next chapter attempts a deeper understanding of the themes raised in these case studies. We will see what values and assumptions emerge from the experiences of Mr A, Mr B, Mrs C, Madam D, Mr E, Mr F, Mr G, the executives of HH Steel, Mr Y and his family, Dr L and his hospital staff, NN Mining’s Mr N, and a whole host of other business people who come and go in these case studies. As previously mentioned their experiences will be supplemented by our survey of one hundred Vietnamese carried out with the assistance of the Vietnamese Ministry of Trade.

When this survey was conducted in 1998 it revealed that Vietnamese business managers perceived they were living in a period of enormous change. A substantial 93% of the Vietnamese business managers surveyed agreed that the way of doing business in their country had changed in the five to ten years before the survey. Business in Vietnam was changing from being largely rural, small-scale and government-controlled, to being carried out in the cities, between individuals and private companies. Yet despite the perception of massive changes in the late 1990s which was recorded in the survey and also the case studies, it was accompanied by a thirst for more. Of the business managers surveyed, 85% said that the way of doing business in Vietnam still needed further reform.

As well as indicating tremendous change, however, the survey reveals that some Vietnamese attitudes stayed the same. Certain responses would strike Australian or Singaporean business people as hangovers from the pre-doï moi, centrally-planned economy. For example, when asked “what was the best kind of market for Vietnamese conditions”, 42% of the Vietnamese business respondents still preferred “a combination of open and centrally planned”. Also
striking are the responses when asked if “the role of government is more or less important than the role of the individual in the market”. The vast majority of the Vietnamese business managers surveyed (77%) agreed the government’s role was “more important”, while only 20% said it was “less important”. The rest didn’t know. As the next chapter will explain, such attitudes are more than a simple legacy of a centrally-planned socialist economy. Very often Vietnamese business ethics and values also arise from the educational, political and religious contexts of wider Vietnamese society.

TOWARD A DEEPER UNDERSTANDING

Perhaps the first and most obvious context for understanding Vietnamese business behaviour is the long standing significance of poverty in Vietnamese society. The lasting influence of poverty is one factor that arises in the case study information relating to seemingly corrupt business practices. One of the most confronting things for many of the non-Vietnamese in our case studies was the expectation that they pay ‘commissions’ (considered as ‘bribes’ by some Western business people) or falsify receipts. The issue arose with YY Roofing’s very first order in Vietnam. A representative of a construction company in Hai Phong purchased USD1,000 worth of material but asked for a receipt for USD2,000. Mr Y’s response to this request is indicated in his diary, where an entry reads: “A very good meeting with directors and staff and put to rest any ideas of commissions and sales. Very interesting!! YY Roofing will be an honest company”. YY Roofing agreed to provide only a genuine receipt for the USD1,000 worth of material that was actually purchased.

From the case studies it is apparent that what many would call bribery appears in many guises and at many points in Vietnamese business. For example, on the outer ring of YY Roofing’s activities were the fifteen agents the company had in Hanoi and the provinces by 1996. Particularly in the case of a big government contract these YY Roofing agents would sometimes on-sell roofing material at a price above that stipulated in the contract. The YY Roofing agent and the government’s agent would then split the difference. Even within YY Roofing’s office it was found that a person was selling ‘open receipts’ so that purchasers for big firms or government could present their bosses with a ‘YY Roofing’ receipt (which was known to be expensive) while buying a cheaper inferior product and keeping the money saved for themselves. Mr Y, when he discovered this had the Vietnamese ‘economic police’ put a stop to it, although the outcome was complicated in ways which we shall explore later.

In our case studies there were different reactions to the issue of bribes. Some managed to accommodate it. For example, the LL Hospital in its early construction phase paid commissions to official consultants that reached tens of thousands of dollars. Later they found cheaper assistance from government officials who doubled as private consultants. The lack of regulation meant that the Australians involved with the hospital thought of payments to such consultants as ‘under the table’. However, the Australians also made some attempt to appreciate that in a bureaucratic setting where officials are paid unlivable wages it must be hard for Vietnamese administrators to resist the lure of lucrative payments from foreign companies. As one hospital administrator put it, the officials who demand these sums do so “more from need than greed”.

Poverty

As this hospital administrator understood, the larger context for these commissions is the very real poverty in Vietnam. This poverty affects business ethics in ways that might be unimaginable to Australian and young Singaporean business people until they experience it first hand. An example which bought it home to Mr Y was the common method of purchasing YY Roofing’s higrip screws. These screws, which were used to fix the roofing material, were sold in boxes of 1,000. Vietnamese customers commonly poured the screws onto the factory floor and counted them one by one to see if they were all there. Sometimes, after fixing a roof, a customer would also bring one or two screws back to the factory seeking credit. As well as indicating an internalised sense of uncertainty and suspicion, such actions are clearly set in a culture that is deeply conditioned by poverty and the minute specification of concrete things.

The Australian manager at the LL Hospital also found that little things that people would not probably even bother picking up off the footpath in Australia or Singapore would go missing in Vietnam. Rubber tubes and cotton wool would be taken, not for personal use but so that they could be resold. Of course pilfering exists in any large organisation anywhere. But in the view of one of the hospital’s general directors, it was exacerbated in Vietnam by the fact that almost anything there is saleable. This pilfering of hospital stores amounted to a significant incidental cost, especially since larger items such as chrome fittings, basins, instruments, cups, saucers and cutlery were also taken and resold. The partner hospital in the joint venture, Hanoi’s MM Hospital, wanted to share equipment and ambulances with the new LL Hospital, in part because its own equipment had depreciated because of thefts. The ‘ambulances’ used by MM Hospital had been received through a Japanese aid program. By the time the LL Hospital was setting up its operations, they had been stripped
of their equipment and reduced to empty delivery vans with red crosses.

The poverty of most Vietnamese raises questions about the ethics of making certain demands which it may be difficult for Vietnamese staff to meet. One of the LL Hospital’s senior Vietnamese doctors, for example, lived in the 1990s in a house with no taps, no flushing toilet and no fans. Most of the other Vietnamese hospital staff lived in far more cramped conditions than he did, sometimes among three families living in a single room no more than ten square metres. But still, in his relatively privileged home, the senior doctor could only obtain water by lining up with his empty cans at a pump in his precinct at 10.30 pm - because this was the time the electrical power was running. If the power was off he could not get water that night. Such conditions made him tired for work next day (and, when the water did not run, unable to meet expected standards of cleanliness and presentation). For the Australians a significant but unexpected aspect of staff development was not only teaching people to come to work each day but also teaching them to stay awake at work. Especially in the fierce summer heat, many people were tired during the day because they found it difficult to sleep in their overcrowded living spaces at night. Patients’ confidence could be shaken by doctors who were not presentable. In Australia an unkempt doctor who falls asleep on the job might offer reasonable grounds for dismissal. In Vietnam the concern that they would not be paid, not only points to the likelihood that such a thing had already happened to them, but also the serious consequences of it would not be paid. Employees in Vietnam need wages not to keep up mortgage repayments or school fees as in Australia but “to eat”, as one informant said when discussing the YY Roofing case above. In thinking about business culture, however, we must take into account not only the fact of poverty but also what might be termed an inherited ‘culture of poverty’.

The ‘culture of poverty’

It is notable that many officials in the case studies seemed to ask for bribes or extra fees to be paid ‘as a matter of course’. A practice which might have arisen from real need, seems to have led to an entrenched culture of extra fees and commissions being routinely asked for and given. Survival strategies developed over centuries of deprivation have resulted in social practices and attitudes that are institutionalised Wealth differentials between the very top echelon where wealth and power are concentrated. Members of this elite, he explains, have ‘institutionalised wealth differentials’ between themselves and those they rule. Furthermore, he claims:

“...it is the nature of peasant society to adjust to this and through important phenomena including cults of poverty, mutual help organisations, black markets, a ‘culture of poverty’... perpetuate what I call the common poverty. Put another way, in such societies it is the nature of
state power to ‘force’ people to take social-economic alternatives that will always remain small-scale in relation to it and offer no potential for structural change (1991).”

This ‘culture of poverty’, as Lockhart calls it, is perpetuated by two main agents. It is perpetuated by a self-interested elite which wants to keep those below it in poverty so they do not amass enough resources to threaten their power. And it is perpetuated by a ‘peasant society’, which is an unwitting accomplice in its own oppression - by its adoption of cults of poverty, mutual help organisations, black markets and so on. All of these small-scale economic survival strategies adapt so successfully to the status quo that they actually entrench it rather than challenge it. We have seen for example the assistance families offer their members in setting up businesses. This has alleviated the pressure on the Vietnamese banks to free up their capital in loans.

Another ‘survival strategy’ that was been adopted over time is the hiding of any assets or wealth from the state. Apparent poverty has in fact not always indicated a shortage of cash in Vietnam. The need to maintain the appearance of common poverty is so deeply internalised in Vietnamese thinking that wealth will sometimes be hidden. As the Australian, Mr Y found:

“the experience of YY Roofing indicates that there is more money in Vietnam than is generally believed. Do not be misled by appearances.”

There is a tradition in Vietnam of people hiding their wealth from the elite – in our case studies hiding it rather than placing it in bank accounts. The reluctance of ordinary Vietnamese to use banks meant that for YY Roofing cash was overwhelmingly the means of transaction unless they were dealing with the government. Since they came cash in hand, YY Roofing’s customers almost never asked for credit. Equally no order went to the factory without prior payment.

HH Steel found that supposedly poorer subcontractors often hid their assets. In 1999 HH Steel had to subcontract tasks to private tradesmen. If the tradesman’s papers had a round red stamp imprinted on them, it meant that he was somehow related to the government in a state owned enterprise or Joint venture. But a black stamp on a private tradesman’s paper indicated he had the lowest legal standing with a District or Local Committee (at Ward level) and a minimum legal capacity of 40 million dong (about USD2,000 US). Yet HH Steel found these ‘black stamp’ people were the ones who made the best sub-contractors for two reasons. They almost always had far greater capital resources (better tools and small machines) than they declared to the authorities – some even owned cars. Second, they were keen to work and provide a good service. HH Steel characterised all of their six or seven ‘black stamp’ subcontractors in these ways.

Foreign business people in Vietnam – as related in our case studies - also found that in a society where most people had very little, jealousy was rife. This in turn led to a stress on keeping ‘down with the Joneses’. Rich or slightly better-off people in Vietnam wanted to appear to be equal with their neighbours and colleagues who might get jealous if the disparity in wealth was known.

The LL Hospital found this tendency to hide one’s wealth militated against the admission of Vietnamese patients. Most wealthy Vietnamese did not want anyone to know that they were rich enough to be able to afford to stay in an expensive private hospital. In particular they did not want the state to know. The main disincentive to the admission of rich Vietnamese seems to have been the requirement for official registration of patients. This official requirement was rigorously enforced. Just as those checking into hotels in Vietnam had details of their identity and duration of stay sent to the local police station, hospital patients had to register with the local police in the same way. It brought to the surface the jealousy referred to above. As one interviewee from Hanoi said:

“Vietnamese are often reluctant to come to the hospital, because people will find out how much money they have. When the authorities find out who is in the hospital, they want to know where they got the money from.”

There was a story circulating in the hospital of a well known Vietnamese doctor who, rather than be admitted to the LL Hospital, chose to be treated at a very inferior local hospital because he feared the effect on his career if people in the Ministry of Health found out. As well as dampening local interest in the hospital, such official interest may also have contributed to the fact that those Vietnamese who were admitted were usually ones whose condition – mostly pregnancy – only required that they stay a few days.

The widespread nature of this attitude in Vietnam can also be seen in the replies to our survey. When respondents were asked the open question: “what are the main elements of a good business strategy?” many stressed human resources and the importance of quality products at reasonable prices. Only four of the one hundred Vietnamese business managers surveyed were explicit about the need for long as well as short term planning and goals. The general manager of the Singaporean company HH Steel felt the need to educate his subcontractors in long-term business

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planning. Part of this involved explaining the mutual benefit to both parties in a business deal. The short-term view seemed to arise in part from the fear of being taken advantage of – if there was no mutual benefit then there seemed to be an assumption that both parties could just take as much as possible before cutting and running:

"It took us a long time and a lot of effort to explain the need for long-term planning and commitments to my suppliers and subcontractors. After a year or two they eventually began to understand the advantage both for them and us of not going for the short-term gains."

This short-term attitude also explains the Vietnamese acceptance of the way Mr Y’s Vietnamese partner Mr J tried to take advantage of the YY Roofing company. Mr J had a small office at the entrance to the factory compound. When the factory first started up, the staff at YY Roofing never saw a customer, as all orders were relayed into the compound by Mr J’s staff. It was discovered that customers were being intercepted and their orders filled by the partner himself. The partner, who received a 10% discount from YY Roofing, would sell the roofing at an inflated price and a handsome profit would go to him alone, rather than YY Roofing. A direct appeal to the State Commission for Co-operation and Investment (SCCI) stopped Mr J doing this. Yet the SCCI took no formal action against the Vietnamese partner. It seems that no matter how unethical the partner’s behaviour might have appeared to an outsider, it did not necessarily look that way in Vietnam.

In the old economy of windfall gains where joint ventures were novel and where the Vietnamese partner had all the local knowledge, Mr J’s attempt to both position YY Roofing as his supplier and benefit from its brand name appears to have been tolerated. In capitalist terms, however, such an approach was short-sighted. Without some change in Vietnamese practices YY Roofing would have gone out of business. The government’s plan to waterproof Vietnamese houses and modernise the economy would have been diminished. SCCI thus did come to the conclusion that the Vietnamese partner’s conduct was counter-productive - but although the Commission stopped him engaging in the illegal activity, it did not punish him. Rather than seeing his behaviour as venal conduct, the SCCI simply acknowledged the need for change.

The family
In the context of a culture of poverty the family is the most important ‘survival strategy’ by which Vietnamese guard against deprivation. In our case studies it becomes apparent that Vietnamese tend to depend on their families far more than do Westerners. An example of this is the way Vietnamese families do much of the care which would be done by professionals in wealthier countries. The state itself utilises families as a stop-gap measure in public programs such as health.

The MM Hospital, which was the partner hospital in the joint venture with the LL Hospital, was considered to be one of Vietnam’s premier hospitals. Despite this, when the case study was conducted, relatives of MM Hospital patients still took the responsibility of providing them with food and bedclothes. Dr L, the Perth surgeon, who was the driving force behind the establishment of the LL Hospital joint venture in Hanoi, wanted his new hospital to take the place of the family in the Vietnamese health system. Dr L felt that, rather than act like a big multi-national company seeking to establish a bridgehead in Vietnam, his hospital wisely presented itself as having a sense of social as well as commercial responsibility. Partly as a result of his experience in China, and partly because of the similarities he saw between conditions in Vietnam and China, he thought of the LL Hospital as being a model for change in Vietnamese thinking about public health.

As already mentioned, it would involve the transfer of modern management, technical, and training skills to the Vietnamese, and it would be based on what in Vietnam were relatively new notions of public care. In his assessments of the Vietnamese health system, Dr L associated its run down and often far from sterile medical facilities, with an absence of any strong sense of personalised care in the public domain. In fact, in Vietnam, and China, where the family is usually thought to be the repository of moral order and communal wellbeing, notions of care are located in the family rather than in a more general sense of neighbourly or civic responsibility. Dr L’s sense of how the hospital would work with the duty of care taken from the family and implanted in the public arena, largely failed to work in the Vietnamese setting.

Families also take the place of banks for many would-be Vietnamese entrepreneurs. The four Vietnamese business people on whom we did in-depth case studies all got their start-up capital from their families. For example, Mr A got USD20,000 for his garment-making factory, a considerable sum in Vietnamese terms. Most of them also set up their businesses with members of their families: Mrs C began and still runs her embroidery export business with her mother and husband. Madam D first established her ceramics business as a ‘family trust’ in 1989 and now runs it with her husband and children.
In the survey conducted for this monograph, one hundred Vietnamese business people were asked if they would expect their families to provide financial or practical support if they were in private enterprise. The vast majority of Vietnamese business people surveyed - 88% - expected their families to contribute at least something to their enterprise. Half of them (exactly 50%) expected their families to contribute a great deal or at least ‘to a significant extent’, 38% expected their families to contribute at least a little and only 12% expected them to contribute nothing.

As well as the start-up capital, there are many other ways in which the ‘family economy’ operates in Vietnam. The family can be relied upon to unite in an effort to better the business, partly to assure the family’s good name. Mrs C for example when asked how her embroidery business conforms to international standards for export said: “This is a family business. Therefore we have to ensure the quality of production ourselves”. Mrs D’s son also explained the success of DD Ceramics in similar terms:

“I think we are successful because the whole family is involved...The whole family has one aim: perfecting our trade and building a long-term investment.”

Three of the entrepreneurs in our four Vietnamese case studies also inherited their families’ traditional occupations – although they then expanded their inherited profession in keeping with the modern Vietnamese economy. Mr A’s father, for example, was a tailor. Mr A expanded his father’s tailoring into a whole factory to make clothes. Mrs C set up shop in a street in Hanoi that for centuries has been home to embroiderers who come from a region of embroiderers. From there her business grew to become an embroidering factory exporting all over the world. Similarly Madam D was descended from a long line of potters in a village that traditionally produced such families. The Vietnamese Economic Times glowingly spoke of the way Madam D had brought honour to her village and her lineage by “among the nineteen family lines working in Ceramics at Bat Trang (Gia Lam, Hanoi), the D family is one of the most famous because of its capacity to produce many well-known master potters. Especially one woman in the D family with a pair of golden hands has made a big contribution to bringing the traditional products of Bat Trang to many international markets.”

The idea of inherited occupations points to the importance of family in Vietnamese business. While many Australians also feel their families are important, the concept of the extended family, which extends geographically throughout a village or region but may also extend through time is an aspect that many Westerners have trouble grasping. Long dead forebears may still influence modern businesses in Vietnam – a notion easier to appreciate in a society where ancestor worship has been a cultural tradition. The Singaporean Mr E was perhaps drawing on this sense of living up to the expectations of one’s parents (and their parents and their parents’ parents and so on) when he dealt with a difficult staff member of the EE Hotel. A recalcitrant son of an ex-director of the joint venture was reported to be only able to improve his productivity after Mr E appealed to his sense of family pride.

But more than just a way of handling staff, many Vietnamese have continued to believe there is inherent virtue in revering their ancestors. For example, the common advice in business guide books is to receive a business card from a Vietnamese with both hands and then study it before putting it on the table - rather than in one’s pocket: to show respect in this way may be seen by many foreigners as being almost equivalent to an injunction to admire the font on a fax (and Thai Ngoc Diep 2005). It makes sense, however, when one considers that that small card may be a carefully designed communication about one’s revered and deeply missed parent - as it was in Mr A’s case.

The logo on Mr A’s business card combined filial piety with geomancy (feng shui) to reinforce individual as well as collective family success. A 1999 Saigon publication, Geomancy for Business People, helps us explain the cao AA logo. It gives the example of the Hong Kong and Shanghai Bank in Hong Kong, which is located so that it is protected at its rear by Mount Victoria and has the favourable feature of the sea at its front. A geomancer modified the plans of the bank building, to take greatest advantage of its environmental features, so it stood out and drew greater good fortune from its surrounds (Hai An, 1999, 7). In Cao AA’s case, there is no mountain behind the Saigon office; the city is built on a flood plain. But in a fusion of feng shui and filial piety two mountains appear on his business card because, as he explained in the interview, the “significance of the two mountains is that my father’s influence has been like a mountain in my soul”. The mountains on his business card illustrated the weight that a departed ancestor was assumed to have in fostering a Vietnamese business and buttressing its success. Business cards, it is clear, can be more than just a trivial tool of business in Vietnam. Rather they can be a condensed communication about one’s lineage and filial piety, and as such have an ethical aspect.
Not all influential family members in Vietnamese business, of course, are ancestors. The living members of ones extended and nuclear families are often just as important. The family hierarchy, for example, has been the main organising principle in most Vietnamese lives. When Vietnamese speak to each other everyone tends to be given an appellation which approximates to their position in a family. There is no word for ‘you’ in Vietnamese. Instead, people refer to each other as ‘little sister’ (if they are addressing a younger female with whom they are good friends) or ‘older brother’ if they are addressing an older, male friend; ‘aunt’ or ‘uncle’ are used to show respect to an older female or male, ‘grandchild’ if there is a large age difference between the speaker and a young child.

For many Vietnamese their families define who they are and what they do. Far from feeling that their families exist to help their businesses, the Vietnamese in the case studies felt it is the other way around. Their businesses exist to help their families. Another question in the survey asked “what is the most important of the following reasons why people become involved in business?” The largest proportion of respondents, 46%, ticked “Because it is good for their families”.

Mr Y fortuitously tapped into this Vietnamese reverence for the family. A large part of YY Roofing’s success lay in the fact that it was a family business: Mr Y’s wife and son worked with him in Vietnam. The fact that his son married a Vietnamese woman also helped to promote the family image of the company. For example, we saw that the cover story of Vietnam Economic News titled “A big commitment to Vietnam”) contained a wedding photo of his son and daughter-in-law. Other articles in the Vietnamese language press also discussed the ‘family’ style of the YY Roofing venture in conjunction with its motivation and product.

But it was not only the press which focused on the family aspect of YY roofing. Mr Y also focused on it. His ‘family’ came to be more than just his own immediate, biological family. He expanded the concept to include everyone who worked for or with him. Mr Y was proud to say:

“that YY Roofing is a big family. In this family there is no gap between Vietnamese and foreigner, there is no command and order and there is only cooperation. Apart from working hours, we usually spend leisure time with each other; going to picnics, to football games, organising parties.”

He was perhaps thinking of his fellow Australians in the NN Mining company (which in 1996, the year this article came out, had its imported machinery confiscated, had exchanged allegations and counter-allegations with the Vietnamese government and finally shut down its operations) when he went on to say:

“I know that recently there have been many disputes occurring in many foreign companies. And I think a business that wants to develop must have an internal solidarity. I may say that one of the reasons that led to the growth of YY Roofing as it is today is because we are successful in doing this.”

Money seemed to be no object when it came to strengthening the bonds between the YY Roofing staff. On one occasion, for example, the company took all ten people on the staff with their husbands or wives on a plane from Hanoi to Nha Trang and treated them to a long weekend at a beach resort. This was the first time most of them had been to the airport.

Mr Y was displaying not only generosity but also business acumen in fostering family-like bonds within his business. As our case studies suggest, Vietnamese families will often assume the economic role played by institutions in other societies (in banking, for instance). The family is also important in that, especially in the case of Madam D and Mr A, occupations are inherited. One does what one’s parents and perhaps grandparents did, and sometimes to public acclaim – for instance, the glowing media coverage of Madam D’s satisfaction of familial aspirations. In a similar way, Mr Y was praised in Vietnamese newspapers for working with his whole family. The fact that a Vietnamese woman married into YY Roofing company may also have strengthened the perception of family bonds in Vietnamese eyes.

Trust and the family

One aspect of familial relationships which received emphasis in our case studies was ‘trust’. For example, Madam D’s business, DD Ceramics, subcontracted to about one hundred families in the area, and, the contracts were said to be made with the family unit. When asked why, Mr D answered: “It’s easier to trust the families” ‘Trust’ seemed to be the attribute of the family unit that most Vietnamese wanted to emulate in their businesses. It is the sort of village or regional family-based trust that Mr B could not assume would be naturally forthcoming in his bottled water plant. Mr B had to build up the same sort of loyalty through incentive schemes involving bonuses and retirement benefits. Trust was also missing in the failed PP Ltd joint venture. After it failed, the Vietnamese general director was quoted as saying that “loss of solidarity” between its Vietnamese and Australian partners was one of the main reasons for its demise.
A suggested reason why Vietnamese business people esteem the sort of trust found in families is that they might find it in short supply elsewhere. A 1999 International Financial Corporation Survey of private enterprises in Vietnam found that the Vietnamese suffer from a general lack of trust in their business culture. According to the Survey, Vietnamese industrial capitalists were historically "squeezed by the Chinese, the French", then "repeatedly and continuously periled" by the post-1945 revolution and changes that have privileged state enterprises in the post-1986 renovation period. The Vietnamese collective attachment to kin-like groupings could therefore be thought of as an effort to find a way out of post-war confusion. In the present-day economy, entrepreneurs tend to lack 'mutual credibility' – the firm cannot trust anybody, and not so many trust the firm (Webster and Taussig 1999: 89). A helpful historical perspective is offered by the suggestion that agricultural production and, to a large extent, handicraft production in pre-colonial northern Vietnam “were organised exclusively by independent families” (Malanney, 1998: 271, emphasis added).

Francis Fukuyama, who has written extensively on ‘trust’, would perhaps characterise Vietnam as a ‘low-trust society’: that is, a society which is sustained by a system which promotes short-term gains and networks of clans and cliques (1995). Local non-government retailers and other Vietnamese business people compensate for this insecure attitude and a general low level of trust by appearing in person at each step of the transaction, adding time-consuming, cautious moves to their purchase. Mr Y was struck by the importance of personal relationships persistent in Vietnam, seeing them as indications of a continuing adherence to the idea of a village economy. Despite the urban setting of most business transactions now, the trust built up through person-to-person contact is still sought. Mr Y noted that in an economy where bargaining plays a customary part in price fixing, people preferred personalised transactions. This usually involved making face-to-face orders. For example, rather than use the phone or fax, a provincial customer might drive 200 kilometres to have the quote authorised by superiors back in the province. He would travel the 200 kilometres again to Hanoi to actually watch the order being made up before taking delivery of it, and then transporting it a final 200 kilometres back to the province.

Familial sentiment may well compensate as well for the individual’s mistrust of state institutions, other enterprises and sense of uncertainty about the future. Individual uncertainty in the state can perhaps be sensed in Mr B’s rather wistful statement that “in the future if the government has good policies, private companies will have a more peaceful mind to work.” This sense of uncertainty helps to promote the short-term thinking that we have already noted as a feature of Vietnamese business culture - and the family sometimes helps Vietnamese business people overcome this short-term thinking. Madam D’s son spoke about how unusual his family was with its investment in long-term strategies to sustain DD Ceramics well into the future. These strategies included the purchase of some new Korean kilns, impurity-extracting machines, his mother’s visits to Kiangxi in China to observe world-best practice in porcelain manufacture, the plan to send a son to China “to learn the language and then to Kiangxi to learn the trade” the arrival of experts from China to work with the company and the future establishment of a joint venture with Kiangxi in China. This was in contrast to most of the Vietnamese companies in Bat Trang which “have not succeeded because they did not have careful, long-term investment strategies”. They are, he said, only “interested in the short-term”. However he emphasised this was not due to simple short-sightedness but rather because they did not have “the strength and capacity to invest in the long term”. Even his own family firm could not invest as heavily in the future as bigger ceramics firms in China. He explained that because the Vietnamese market was not ‘ready’ to pay money for ‘expensive design items’ there was not enough money in the family firm to make the same investment in training people and equipment as in the Chinese ceramics industry.

Thus, in the case of the DD Ceramics concern, the financial uncertainty that favoured small-sized family firms did not necessarily work against economic growth. In this case profits were reinvested in long-term business plans because trust in their own family enabled the D’s to trust in the future. As well as providing security for long-term planning, the D family also felt more secure in making contracts with other families. The trust necessary to all commercial relations was not to be found in the rule of law or regulatory systems that play a strong role in Singapore or Australia. Rather the institution of the family was seen as guaranteeing contractual arrangements. Furthermore, as already mentioned, all the Vietnamese case studies featured families which provided the start-up capital and (with the exception of Mr B) the director and other management personnel of these firms.

It is no wonder then that even in the case studies relating to non-Vietnamese, the problem of how to trust people one is not related to was solved partly by extending the concept of ‘family’ – applying it to practically everyone involved. Mr E, the Singaporean general managing director of the EE Hotel at Ha...
Long Bay, was very conscious of building up trust and loyalty in his workers by treating them as members of an extended family. He felt that in this way Vietnamese culture was very similar to Chinese culture. As we mentioned in the last chapter, he treated his staff like members of his family, taking them out to other luxury hotels’ restaurants where he would party and feast with them, organising an extravagant wedding reception when a female staff member (whom he considered to be like a daughter) got married, and paying generous travel allowances so staff went to Singapore regularly for training. His loyalty went beyond the professional boundaries of a good boss in Australia, when he dismissed anyone. His policy was to arrange ahead for such an employee to gain a position in another firm. Mindful of the scarcity of job opportunities, he chose this course of action believing it would prevent personal bitterness on the dismissed employee’s part. On the other hand, his sense of family loyalty was offended when some other employees, having solicited and received help many times from him, ‘abused’ such favours by leaving the company for another job.

Despite the Singaporean Mr E’s feeling that Chinese and Vietnamese business cultures were both organised around families, Madam D’s son felt that Chinese culture was now less family-centred than Vietnamese business culture. When asked what he saw as the differences between Vietnamese and Chinese ways of approaching business he said: “Vietnamese families like to keep the business within the control of the family. The Chinese have relations with more people”. When the interviewer pointed out that the D Ceramics company now subcontracts to ‘one hundred families’ he replied: “This is not so many compared to the Chinese. They have very large business networks”.

There are, it should be observed here, some very unsentimental, practical reasons why the family is so important to the business culture of renovation Vietnam. Well before doi moi in 1962 the Vietnamese government allowed the system of sub-contracting work out to families, much as the D family continued to do in the late 1990s. Despite the ubiquity of state cooperatives in 1963, this system of subcontracting almost immediately began to undermine the socialist economy, by giving impetus to the development of a private, black economy, in which families marketed much of what they produced themselves. So when the new private economy was introduced with doi moi in 1986 the D family already had political and commercial networks that facilitated its supply of raw materials and labour. The family economy was in this sense a stepping stone between the old central and the new free economy.

Respect and the family

Obviously the Vietnamese and Singaporean businessmen (and Australian Mr Y) were not only thinking of real families when they espoused the ‘family’ as the model on which they have conducted their businesses. Real families do not always get along harmoniously or have perfectly trusting relationships. Instead the business people in the case studies, especially the Vietnamese business people, seem to be thinking of an idealised Vietnamese family that is autocratic, hierarchical and always respectful.

Respect, as recognition of status in Vietnam, has long been believed to guarantee cohesiveness and orderly social interaction first within the family and then within society in general (Marr 1981). The respect that children in Vietnamese families have been expected to show their elders is inculcated at an early age. ‘Civic lessons’, prepared by Petrus Truong Vinh Ky and published in the Indochina Journal Dong Duong Tap Chi in the 1920s, laid down practical instructions on how to behave in a Confucian society and was reproduced almost verbatim for decades in Vietnamese primary schools. As we have seen, the belief in hierarchical order (ton ti trat tu) is still strong enough in many situations in Vietnam today to perpetuate the practice of avoiding the use of proper names, and opting instead for kinship ranks or titles as terms of address (Luong, 1990). Modernisation and revolution have not changed the practice in Vietnam to the same extent as in some other Asian societies. The individual is expected to defer strictly to those of higher status, by descent order of kinship as well as by gender and age.

As is the case elsewhere in East Asia, ‘harmony’ is believed to be the reward for collective self-effacement. Respect is seen as the necessary condition for positive social intercourse, enabling smooth exchanges of all kinds, including exchanges in the market place. The Confucian patriarch is at the top of this kin-based hierarchy. This increases the burden of responsibility on the head of any real or metaphorical ‘family’. Mr B of BB Water, for example, found that he was the sole disciplinarian because his staff would not take discipline from those lower in his factory’s hierarchy. They would only respect him as the Confucian in locus parentis:

“I have to discipline people. If I delegate the responsibility for discipline, the employees will say: ‘you are an employee like me, why are you so harsh to me?’ They will react against anyone but the boss, the owner of the company.”

This respect for the Confucian patriarch was perhaps one reason why the senior Western Australian politician was able to smooth troubled waters when he visited Vietnam in mid-1994, even though the
purpose of his visit had no direct connection with the mining Joint venture, PP Ltd.

He had gone to Vietnam to have discussions with high-level Vietnamese officials and to visit West Australian companies then operating in Vietnam, including PP Ltd. The tone of the Western Australian political leader’s comments, given the problems PP Ltd had been having, are gracious in that they suggest that the blame lay more with the Australian company. In a speech, this politician diplomatically referred to “companies that are insensitive to Vietnamese aspirations or which ignore the regulations and accepted business practices of the country”, warning they “could be in for an expensive and frustrating time”. Furthermore, he advised Australian “business operators to come to terms with local business practice and networks”. With these gracious words, along with the normal respect accorded to the patriarch, the Australian government leader seemed to be able to smooth troubled waters, and by November 1994 there was even talk of an expansion of the floundering PP project as initially envisaged in the agreement. The Australian leader may have fortuitously tapped into the respect that tended to be accorded to a patriarchal leader – in this case, the leader of the ‘family’ of West Australian businesses operating in Vietnam at that stage.

The actual words equating to ‘business ethics’ in the Vietnamese language connote a hierarchical order – exhorting the leader to replicate Confucian order in the commercial world. ‘Đạo đức’, the Han-Viet word for ethics, implies a universal Confucian way (Đạo), as well as the natural workings of the cosmos and its power (duc) or virtue. Two related terms are: đạo lý (principle of the Way) which denotes the universal principle for human conduct, and the more recent expression, lãnh đạo (leadership), which literally means ‘the undertaking to regulate the way’. The definition of ‘lãnh đạo’ in the Vietnamese Universal Dictionary is perhaps closest to “business ethics” and is specifically aimed at business leaders; it conveys ‘showing the way, guiding, leading the way’. It places the burden of responsibility on the business leader or manager. The business manager must lead in such a way that the natural order is adhered to. Individual responsibility, as Mr B of BB Water perceived, is not so important - except in the leader. Respect and obedience are important in those he leads. But while the leader is allowed individual initiative he must also follow the imperatives of the ‘natural order’ or the ‘way’.

In Vietnamese business ethics, these notions of a ‘leader’ showing his subordinates the ‘natural’ order, way or virtue, come together in the idealised father of the Confucian family. In business, the ‘natural’ order or hierarchy of the family is emulated with the father or company director showing the way, not by brute force but by the respect that is shown to him by other members of the corporate ‘family’. As we will see, respect mitigated by trust and a degree of familiarity tend to be seen as the ideals. However, before we develop that point, we shall first consider cases in which the patriarch at the head of a Vietnamese company is a woman.

Women and the family

In the Vietnamese family hierarchy dominated by older males, subordination is more conspicuous in the status and roles prescribed for the young and women. The security of belonging, while it may give each individual the comfort of a clearly defined role, exacts a price as it creates anxiety in many young people - especially young women - about fulfilling their elders’ expectations. In some instances, globalised consumerism has been made an ally by individuals, especially females, in the search for identity and self-empowerment against patriarchal dictates. A Hanoi magazine reports the story of an exasperated Vietnamese father chastising his teenage daughter for dying her shortened hair in the Korean fashion. He turned to his wife for support, only to find she too had dyed her hair in the Korean fashion. The patriarchal nature of the traditional Vietnamese family is why traditionally, commerce was seen as ‘women’s work’ in Vietnam – but change is underway. Confucian disdain for artisans and merchants dated back to at least the fifteenth century if not earlier (Reid 1988: 63, 268-270). Commerce for the Vietnamese lettered elite was a zero-sum game. One person’s profit, it was believed, could only be made at the expense of another. This ‘zero-sum’ mentality still lingers. It can be seen for example in the responses to the survey of one hundred Vietnamese business managers undertaken for this monograph. When asked “what is the meaning of competition?” the majority of Vietnamese surveyed (54 %) identified competition as closest in meaning to ‘struggle’ or ‘conflict’; while only 41% identified it with ‘efficiency’. In part because of this perception of trade as cut-throat, it was disdained and relegated, as in many regions of Southeast Asia, to the female domain. While women supplemented the family income in local markets, the main path to wealth was education and bureaucratic power, which was of course the preserve of men.

Women ran the barter and/or cash trade in local markets for centuries. They were largely excluded from the guilds into which artisans organised themselves, since only male patrilinial relations were admitted. An exception to this was the involvement of women in the Bat Trang ceramics industry - although even in this famous ceramics village, there was a gendered division of labour. While men coiled pots on the wheel, women potters almost exclusively produced bowls. Women still work around the small family kilns in the back alleys of Bat Trang, mixing
coal and water to produce fuel pats, carrying panniers full of burnt coal, saggars and finished wares on shoulder poles. They are also involved in the illustration and marketing of ceramics. Madam D conformed to this gendered division of labour when she took on the family craft. At the same time, her leadership role in one of Bat Trang’s most successful companies does not necessarily contradict the observation that Vietnamese men are taking over businesses and commerce as it gains in prestige. One scholar of the village has said that in 1996 “of the seventeen major raw materials, production and marketing firms only one was headed by a woman”. The woman referred to here was probably Madam D. By the late 1990s, it seems she was the exception that proved the rule.

As business in Vietnam began increasingly to lead to power, men have not only entered business but are also taking over the running of more enterprises. This was reflected in the survey of Vietnamese business managers. Participants in the survey were not chosen on the basis of gender, but rather on the size of their enterprise, whether it was state or private, and what sector it represented - in order to get a cross-section of businesses that were representative of the whole Vietnamese economy. Of this broadly representative sample, only 24% of the one hundred business managers surveyed were women. So while women business leaders are still important in the Vietnamese economy, increasingly they represent a large but minority section (Malarney, 1997). The state, for instance, found it necessary to encourage them in 2001 by recognising the contribution of young, entrepreneurial women. Among the ten Red Star Awards of the year 2000 for young business managers, two went to women, one of whom heads a 7000-strong work force.

While women in Vietnam are expected to be mothers first and foremost, their maternal role need not stop them from becoming involved in business. Mrs C, the vice director of CC Embroideries, in fact felt that women’s domestic responsibilities provided impetus for them to lead businesses and do so better than men:

“Many women are directors because they are less of a risk to the company than men are. Women want to do well in business because they have to look after the family. Men gamble and have other interests.”

However she went on to speak of CC Embroideries in ways that indicated tensions arising between the traditional Vietnamese family model and the demands of the modern market. In the traditional Vietnamese family women are subordinate to the male head of the household in most matters. At work, however, Mrs C and her husband both had equal status as vice directors, while her mother was ‘above’ them as director. They resolved the contradiction between female power within the company, on the one hand, and its supposed absence in the Confucian family, on the other, by working in separate spheres within the Company:

“In our company, my husband’s role and mine are clearly defined and not overlapping, so my husband and I do not confuse our family and working relationships. He can’t tell me to do something in my area of responsibility because he is my husband.”

The couple reconciled Mrs C’s subordination to her husband in the family with their roughly equal roles in the company by avoiding direct clashes between the two. This is one small example of the way traditional roles both persist and are changed by the expanding market economy in Vietnam. But while this solution seemed to work, Mrs C also indicated in the interview that the compromise they had reached in balancing business and family roles was difficult to maintain. When speaking of plans to expand their business in the future it was clear that she perceived the demands of modern business were putting the traditional Vietnamese family model under stress. She worried about the effect expansion might have on her family:

“...if people devote themselves to enrich the business the family breaks down and there are divorces in many families. It’s for this reason that I don’t want to expand the business too much. I have to cook three times a week to keep the family happy. My husband has to take the children under his care. We share daily responsibilities. But if the business gets too big, we wouldn’t be able to do this and the family would collapse.”

The delicate balance of roles negotiated between Mrs C and her husband therefore placed limitations on CC Embroideries’ capacity to expand. While the family nature of many Vietnamese businesses might have been seen as a good thing, the reluctance to involve outsiders can result in pressure on relationships within the family – in this case between husband and wife. In comparison with Japan and China, it has been suggested that for many Vietnamese the family has continued to be valued above business. The business is often seen as a means of enhancing the family’s welfare. If the business ceases to serve the family, it is the business rather than the family, which has to adapt or concede.

Familiarity

The respect expected within hierarchical Vietnamese families often assumes unquestioning obedience on the part of children and women toward those higher in rank. Under these conditions the Confucian
patriarch could easily become a stern and distant authority if not for the softening effects of the Vietnamese ideal of familiarity. As well as being the wellspring of trust, the family is also where the Vietnamese ideals of familiarity and respect do not contradict each other, but instead coexist easily and naturally. In most families people are very familiar with those they grew up with, but within the Vietnamese family they are also very respectful of those same people. To those involved, the hierarchy within the Vietnamese family seems natural. It has the quality of a preordained order that seems not to spring from Confucian tradition but from nature itself. The respect that younger people owe older people, and women owe men, hardly has to be asked for. It can be taken for granted and assumed to exist in the cheek-by-jowl hubbub of most Vietnamese households. Thus we get in Vietnam two ideals - respect and familiarity – that might at first be thought to be contradictory, but really tend to complement each other.

These two ideals of respect and familiarity perhaps might be usefully aligned with the two main religious traditions of Vietnam. As well as the Confucian tradition of respectful, hierarchical differences between people, there is also Vietnam’s other religious inheritance, Buddhism, which some see as moderating the Confucian influence. We have already noted the influence in Vietnam of the ‘common poverty’ ideal, but some scholars attribute the Vietnamese regard for ‘familiarity’ - or a ‘lack of social distancing’, as they also call it - to the particular legacy of Buddhism. They point to the fact that mendicant begging is widespread in mainland Southeast and East Asia as one example of a Buddhist-instituted practice that reduces social distance. Begging by monastic and wandering ascetics forms part of the Buddhist tradition – and entails going out among lay people. Monks (Bikkhu) become dependent on the secular world. As Trevor Ling points out:

“The original meaning of the word Bikkhu is ‘sharesman’, that is, one who receives a share of something. His begging is not just a means of subsistence but an outward token ... of his renunciation of private or personal sources of livelihood or ownership of wealth, and his dependence instead on the ‘commonwealth’, the public resources of the society in which he lives (1973: 123).”

In Vietnam, the beggar is sometimes referred to by the respectful term ‘Ong’ (Mister). In this case, the deference reflects a low degree of social distancing. The voluntarily destitute monk is esteemed for his poverty. The deferential ‘Ong’ flattens the social order making the destitute person equal or higher than those he relies on. A Singaporean manager we interviewed echoed such an attitude in his remark that there was virtually no discrimination between rich and poor in Vietnam – a situation unlike what he had observed first hand in countries such as England and Germany. This ideal of ‘low distancing’ can also be expressed as a preference for familiarity in general social relations.

For foreigners in business in Vietnam, this preference for familiarity may seem to be an easy requirement for Australians in particular to conform to - given the stereotype of Australians as egalitarian and almost too familiar in their dealings with others. In a recent study a Vietnamese businessman who had worked with a variety of foreigners told his interviewer:

“Singaporeans are a proud lot...Japanese think female staff are suitable only for administrative and secretary jobs. German colleagues are pleasant, except one or two who can be quite arrogant. Australians make better colleagues. They are friendly, laid-back and ready to help” (Ashwill and Thai Ngoc Diep 2005: 131).

Contradicting the perception here of Singaporeans as ‘proud’ were the Singaporeans in our case studies. They appeared to appreciate the lack of social distance in Vietnam. Mr E, the hotel manager, treated his staff to restaurant meals which he joined in as ‘one of the revellers’. He was not proud, nor did he stay aloof as the party’s host, but rather joined in on the same level as his guests, blurring for a moment the distinction between his status and those of his Vietnamese employees.

But before Singaporeans and Australians come to the view that all that is required in Vietnam is laidback friendliness, it needs also to be remembered that in Vietnam this familiarity is coupled with respect. The real ideal to aim for would appear to be the respectful familiarity that exists in the (idealised) Vietnamese household. The father is respected as the head of the household but he does not have to demand this respect, nor does he stand aloof from the rest of the family. Instead there is easy interaction between all members of the household as they unite together in a common goal. The father should wear his leadership role lightly and even playfully.

The heavy burden of leadership placed on the senior male in Confucian societies should not cut the father/manager off from those under him. The revolutionary leader Ho Chi Minh, for example, utilised this interplay between familiarity and respect in his role as “charismatic leader – the personification of Vietnam’s new independent national identity”. According to one authority, Ho Chi Minh’s projection of himself took on “both a mundane and transcendental character”. This could be seen in the way Vietnamese referred to him as ‘Uncle Ho’ (Bac

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Ho) an indication of both familiarity and respect” (Marr 1981)

This familiarity or lack of social distance can be seen on a smaller, less mytho-historical scale in the way Mr Y ran the YY roofing business. He commented that it was important to know

“how to behave fairly, equally and in the most feeling way... YY Roofing is a big family. In this family there is no gap between Vietnamese and foreigner, there is no command and order and there is only cooperation...”

Mr Y perhaps inadvertently reduced the ‘social distance’ between himself and the Vietnamese public by his modest mode of living while the YY Roofing factory was being established. While the business was getting on its feet, and for some time afterwards, the business used bicycles. Bedside tables in the Y family household consisted of wooden boxes covered by tea towels. As one journalist observed in 1995, the YY Roofing establishment was

“...a world away from the restored French villas which serve as corporate headquarters to bigger investors. Across the road, a modest house doubles as the YY Roofing office and home for Mr Y, 58, his wife, son, 31 and daughter-in-law.”

In a family it is possible for the father to act in a familiar manner without anyone forgetting he is in charge. The hierarchy is natural and reminders are not needed. Mr E was free to join in the parties he hosted at restaurants as one of the revellers, because he knew it would not endanger his status as their employer and superior. This familiarity also assumes a lack of resentment on the part of those who are lower down the order. They do not resent the boss any more than they would resent the loving father. They are grateful for his guidance, benevolence and even discipline. Rather than begrudging him they enjoy his company, even in social settings.

Familiarity tempers the respect that is demanded in the Vietnamese family, and by extension, the Vietnamese workplace. It turns the hierarchy into a two-way street with lack of distance enabling those at the top of the hierarchy to hear those at the bottom. In turn, respect flows downwards from the upper echelons, as well as up. It perhaps softens, a little, the discomfort, of being a young woman and therefore at the bottom of the Confucian hierarchy. Mrs C, when speaking of the workers in her embroideries export business, seems to have been talking about this when she explained:

“Most of my workers are women. When they get pregnant they don’t work as fast. I have to explain this to the factory managers and customers sometimes so that people will not be too hard on them. Also politeness helps to encourage them. Politeness does not cost anything.”

The familiarity of knowing about others’ private lives (such as the fact that they might be pregnant) mitigated the harshness that otherwise might have been visited upon these women. Mrs C encouraged the notion that respect, at least in the form of politeness, ought to be shown to them by their superiors.

Family bonding rituals – by foreigners

In the case studies this family-like togetherness at work was strengthened by sharing many rituals that in many countries, including Australia, might be seen as family rituals. Feasts and banquets in particular featured in many of our case studies. This indicates their central role in Vietnamese business culture. As the Vietnamese garment manufacturer Mr A explained:

“For Vietnamese, eating and drinking are very important when they do business. If you take somebody to a good restaurant it shows you value him or her.”

The Singaporean businessmen in the case studies seemed to share the Vietnamese regard for food in building business and social relationships. Mr E, who ran the EE Hotel, believed in treating his staff as ‘members of his family’ and often did so in ways connected with feasting. He took them to upmarket restaurants where he would dine with them, he organised the wedding reception of a female staff member and he would personally show his hotel’s chefs new recipes from his own cookbooks.

Apart from eating, the observance of traditions and special holidays also brought people closer together. Mr G, the Singaporean who set up the Hanoi GG Textile Group in Hanoi, placed great emphasis on such bonding rituals. Married to a Vietnamese, he immersed himself in the social side of his business life in Vietnam. When interviewed on his integration into Vietnamese family life he said he preferred Vietnamese cultural life to Singapore’s. In Vietnam he claimed there was no division between rich and poor people, unlike what he had seen in England and Germany. There were also convivial rituals such as visiting friends and relatives during the New Year holiday - a custom no longer practised in his home country. He found the warmth and geniality of Vietnamese culture “quite wonderful”.

Mr Y sought to ensure the success of his roofing company by observing such time-honoured Vietnamese rituals as sitting down over a cup of tea.
Even when he was lecturing on Western business ethics to Vietnamese people in 1993 and 1994, Mr Y still observed the Vietnamese tradition of “tea time and talk” routine before honing in on the point of meetings. He told the Vietnam Trade Review that while he was “proud’ that “YY Roofing is a big family”, it took time and effort to build those bonds: “Apart from working hours we usually spend leisure time with each other; going to picnics, to football games, organising parties…”

Building up bonds through feasting and observing celebratory customs, even seemingly mundane ones, incurred substantial cost. The LL Hospital found that an ‘incidental but necessary’ cost in the hospital budget was gifts. To ensure good will for the coming period, a list of people who were important to the joint venture was made each Tet (Lunar New Year) and National Day, and money and presents distributed accordingly. Such expenditures could amount to USD3,000. This observance of the family holiday of Tet by companies helped strengthen their identification with the families of their employees. YY Roofing also treated employees’ families generously. On the occasion when YY Roofing flew all ten people on the staff from Hanoi to Nha Trang for a long weekend at a beach resort, staff members were allowed to take their spouses - an expensive gesture. But however large the expenditure by these Australian companies on such bonding rituals was, it was nothing compared to the amount that Japanese companies in Vietnam spent on that Japanese bonding ritual par excellence, karaoke. According to one employee of the LL Hospital a bill of about USD1,000 a month was commonly paid by Japanese companies in Vietnam for karaoke alone.

**Vietnamese bonding rituals, the family and state**

The Vietnamese are used to spending huge amounts on rituals that strengthen the family, and companies will compete in demonstrating generosity. Excessive conspicuous consumption in festivals, and religious rituals and sacrifices, used to be forbidden by the atheist Communist Vietnamese state (except for the rituals and sacrifices, used to be forbidden by the conspicuous consumption in festivals, and religious will compete in demonstrating generosity. Excessive expenditure on Japanese bonding ritual was commonly paid by Japanese companies in Vietnam for karaoke alone.

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This ambiguity towards such festivals perhaps reflected a more general ambiguity in the state’s attitude to the market forces it had unleashed. Although the state strongly promoted capitalism through doi moi in the 1990s, the contradiction between the aims of its founding ideology and the reality of the developing Vietnam was evident. The aim of communism was a centrally-controlled economy providing equal conditions for all. By the 1990s, however, the Vietnamese state found itself presiding over a dynamic semi-capitalist economy in which it had to allow individual rewards – rewards that had to lead to greater inequality and greater power in the non-state private sector.

The state’s ambiguity towards capitalism saw corresponding shifts in its stance towards the family. Eight decades beforehand the government had called on individuals to extract themselves from over-identification with the family – to rally instead to a collective struggle for national independence that transcended both kin and clans. In the 1930s it condemned the family as feudal. In the 1950s family-based businesses were threatened by the socialist revolution’s attempts to eradicate capitalists. But in the 1960s family bartering with other families preceded and encouraged the switch to doi moi. The idea of the family became even more favoured by the state in the 1990s as the Party increasingly criticised the growth of “Western-inspired individualism” (Marr 2000). To halt its pernicious growth the government called for individual Vietnamese to reconnect with the blood-bonds of the village community as the keystone of Vietnamese social architecture. It wanted the family to protect Vietnamese from the worst ravages of capitalism and globalisation.

The state’s fear of capitalism seems to stem, in part, from a disdain for Western consumer goods - such as European fashions or Hollywood movies - leading to a loss of Vietnamese traditions, especially a loss of connection with the traditional Vietnamese family. This brings us back to festivals. For it seems that one of the reasons the state now allows and indeed selectively encourages some festivals is that it perceives that such festivities strengthen family, clan and village bonds. The Vietnamese state seems to believe family bonds can provide a bulwark against the dark side of capitalism. All of this is encapsulated in an article which appeared in the state-controlled national newspaper, the widely-read Nhan Dan (People’s Daily) on 24 September, 1999 – an article that extolls rituals which strengthen bonds within the family and village in the face of the onslaught of the
free market. The People’s Daily reflects official Communist Party ideology and is used as a vehicle for mass education, so it can be understood to be the voice of the state.

Under the headline “The role of popular culture in contemporary life” - and beside a photo of a traditional village festival - the article begins: “Today the world is like an electronic global village”. However, the article then stresses that “development detached from tradition will lead to instability and destroy both the environment and society.” For over ten years, the article continues, “the dark side of the market system has seen egotism, worship of money, and abandoned behaviour threatening to destroy good morals and customs”. Salvation, it continues, lies in popular culture such as old songs, tunes and lullabies which ‘crystallise’ the ‘national essence’ and keep people attached to their families, both present and past (in the form of ancestors). Each time a village festival is organised, people participate in and affirm ‘the precious inheritance of their fathers’. This reaffirmation of the family through bonding rituals in the face of ‘the demands of contemporary society’, so the article argues, will enable Vietnam to have ‘national development’ but also “an equal and civilised society”.

Indeed, by the time of our case studies, the government was organising over-the-top rituals itself. For example, a bonding ritual that revolved around eating was certainly carried to excess in the 2002 New Year celebrations, when a gigantic cake weighing 1800kg was offered at Quan Ganh village temple in Ha Tay province for the national patriarchs, the Hung kings. It was a ‘family’ feast shared between the mythical ancestors and the living when the gigantic cake was divided into one hundred portions to represent the hundred children born to the ancestral Lac Long Quan and Au Co of the Hung dynasty. It was a ritual that indeed celebrated continuing family bonds with the nation’s very prolific ancestors. By coincidence perhaps, Mrs C when asked how she ensured good relations between the directors of her embroidery company and its workforce, used the analogy of a cake shared among many:

“I explain to them that the whole company is like a cake. If the cake is well cooked, everyone has a share. If it is badly cooked then there’s nothing for anyone.”

In 2001 a three-year study of several northern and southern Vietnamese villages was published (in Vietnamese) which showed that an extremely high portion of household expenditure, from 30% to 60%, was spent on banqueting and life-cycle rituals such as births, weddings, funerals, and death anniversaries. This truly ‘uneconomical’ and irrational consumption level was found to increase in direct proportion to the extent of a particular family’s network.

These levels of expenditure show the importance of family occasions in Vietnam. The rituals marking these occasions strengthen bonds within families. They celebrate additions to the family by birth or marriage or they mourn losses such as funerals. They also celebrate the continuity of the family line and the interconnectedness of people by shared links to distant ancestors. Eating therefore, provides nutrients which strengthen family connections as well as physical bodies, but it also strengthens the body politic. The Communist Party of Vietnam in allowing these rituals has recognised their usefulness as well as the futility of trying to ban them. These seemingly excessive festivals and Vietnamese household expenditure on family occasions, it might be observed, are all the more striking in the face of Vietnam’s continuing areas of poverty.

**Mr B’s individualism**

We have been considering so far the continuing influence of traditional practices that have become entrenched in Vietnamese culture. However, doi-moi has of course resulted in far-reaching changes in Vietnamese culture. There was a hint of this in the previous section in the state’s ambiguity towards the changes being wrought in recent times in Vietnamese society. In our case studies Mr B embodied these changes and the resulting ambiguity on an individual level. He embodied the transition from an old collective Vietnam to a more individualistic Vietnam.

Mr B, who claimed he did everything alone in setting up the BB Water plant, including designing the buildings, moved between two worlds – one bounded by the family, and the other defined by him as an individual. It is clear, however, that his individualism was only just emerging from family traditions. He started up his business with capital borrowed from members of his family. He was clearly proud of his family’s social status and seemed to see it as directly linked to the birth of his business. In answering the question “How did you become a businessman?” the first thing he said was “My family was one with traditional values (gia dinh le nghi) and my father was a high ranking military officer” before recounting how he borrowed seed capital from them. Despite this powerful concern about family, Mr A nevertheless alerts us to the environment of change in which he and other interviewees continued to invoke the family. Mr B seemed to want his employees to be more individualistic or at least take individual responsibility when he complained that “Vietnamese don’t think for themselves; they don’t take the initiative or accept responsibility and don’t feel responsible”. It should be noted that it was only when...
Mr B took a trip overseas that he first realised this: “I did not realise the backwardness of Vietnam until I went to Japan, France and other countries in Southeast Asia”. He was proud when he recounted that because of the way he subsequently organised his workforce, people thought BB Water was a foreign company.

Mr B’s complaints about his staff not taking individual responsibility are perhaps symptomatic of a society transforming from a village-based culture in which everyone knew each other and their place in the hierarchy to a more impersonal market culture. Even as he complained about his staff’s lack of individualism, he seemed to miss the kind of trust and loyalty that would be forthcoming from family members or people he would have known well in a village setting. He complained, for example, that when employing new workers “you can’t check if they have been dismissed from somewhere else for stealing. There is also no way of checking on their training or skills. The best one can do is judge on appearances…” His employees in turn, according to Mr B, showed little loyalty to him as their boss (and superior) outside the village or family setting. Mr B sought to keep his staff by training them and trying to make them feel that they had a stake in the company’s success. He gave them an annual bonus if profits had gone up that year. He also gave them a month’s salary on retirement for each year they had worked in his company.

Part of the context Mr B was trying to address was the new problem of managing people away from the village. As Vietnam has developed into an industrial economy instead of an agricultural one, old social systems have been fracturing and new ones forming to take their place. At the time these case studies were being undertaken, considerable internal migration was beginning in Vietnam. Increasing numbers of Vietnamese were moving to the cities for employment in the manufacturing and service sectors. Urban anonymity was replacing previous close-knit village and clan structures. These cultural changes were being reflected in the way people managed businesses. While in Vietnam family-run companies have continued to be prominent in business, studies of Vietnamese choice of business partners show this is changing. One forthcoming study by Adam Fforde has found the emergence of preference for association with non-kin. Another study has found that in recent times even countryside farming households have begun to form alliances which are not necessarily kin-based.

The emergence of the new problem of managing people, away from the village without the moral authority of the family as a back up, has seen a publishing boom in Vietnam since the early 1990s on the management of human resources. The Development of the Human element in Renovation Management and Economics, The Qualities Needed by Leaders and Managers and Business Psychology in the Private Economy are typical of the available titles. The opening paragraph of The Qualities Needed by Leaders and Managers seems to suggest that people are no longer to be disposed of merely according to the king’s (or other superior’s) whims - but rather valued as ‘human resources’, and treated ethically by the boss so as to harness most effectively their energy and expertise:

“People in former times had a saying: ‘Use people as you use trees [in the forest].’ Today, managers say that this is the right idea as far as it goes. It is right in so far as one should use people for work that corresponds with their aspirations and potentials… But [the old saying] falls short in so far as people are different from machines.”

While the metaphors might be mixed, it is clear here that as Vietnamese move out from the village or clan into a de-personalised urban environment, psychology and personnel management have emerged as important resources in the task of discerning the best way to handle strangers. It also indicates a changed relationship between the workers and their superiors. In pre-colonial Vietnam, the King and his officials would differentiate between peoples’ individual talents and skills, but they would drive them like machines. The old economy perhaps used to be ‘flatter’ than the present one. The new bubbling entrepreneurial economy of doi moi Vietnam has given rise to greater inequalities and differences than before. A growing sense of individual worth, like that which has long existed in the West, has to be catered for.

Such enormous cultural changes are not only being dealt with by individuals but also of course by the state. It is the particular approach and role taken by the state to which we will now turn.

THE STATE

The Vietnamese state obviously sets the context in which our case studies took place. All business done in our case studies at some stage involved the state. Despite all the economic change underway, with the shift from a socialist to a market economy, the state has maintained a significant dominance. This was reflected, for instance, in the survey of one hundred Vietnamese business managers, which found 77% still thought that “government was more important than the role of the individual in the market”.

The state showed the same ambiguity towards the changes taking place as did Mr B. The Vietnamese
government wanted to turn Vietnam into a modern, capitalistic economy – however, it was also aware that capitalism brought mixed blessings. It wanted the increased living standards capitalism brings but not its downsides such as unemployment and inequality. We saw how the government turned to the institution and idea of the family to protect Vietnamese from the worst ravages of capitalism. In presenting itself as a metaphorical family which provides protection to the Vietnamese people, however, the state has acted in ways that foreigners criticize as unfairly restricting their legitimate business activities. Such foreigners find the government’s treatment of them to be meddling, restrictive and even xenophobic.

State and family
The state is structured around families in Vietnam on both a real and a metaphorical level. For example, real families have long been necessary to Vietnamese government administration in villages, which are administered by village clans and kinship networks. At higher levels Communist Party positions are often taken by members of the same extended family. As one writer has observed:

“Many Communist Party branches are still run by a family, a clan... government offices still have the husband as manager and his spouse in charge of Party affairs administration, their offspring in charge of accountancy...”

There are family connections across three generations within the Vietnamese Communist Party. The existence and influence of such families can be found at all levels of the government administration.

Even as the Vietnamese Communist Party asked the Vietnamese to put the nation above their families during the nationalist struggle against French colonialism, they also utilised those families. Ho Chi Minh insisted on cadres fitting into the families of local supporters, even if their presence among them lasted only for one or two days. As well as utilising real families, he also upheld the ideal of the family on a metaphorical level. He worked hard to develop a familial atmosphere among close comrades, and in 1946 he used the notion of family bonds to appeal for Vietnamese of the three regions (North, Central and South) to act as three blood brothers, claiming, “Since no one can divide the members of one family, no one can divide our Vietnam” (Marr, 1981: 132-3).

Even in recent years the power elite has considered the family ethos appropriate for a nation facing new global challenges with a tragic and divisive past still fresh in memory. The Vietnamese state has long extolled the family, sometimes above the economy. In 1995 Premier Pham Van Dong stated that:

“The needs that are thousands of times more urgent than economic demands include national independence, harmony in the family, a secure livelihood...dignity and family in our blood bond to the independent fatherland...”

There are not many Western politicians who would see ‘harmony in the family’ as a ‘thousand times more urgent’ than economic demands.

The Vietnamese state thus sees itself and is seen by others in familial terms. But whereas the Party during the struggle for independence and in the socialist revolution used to want to be ‘the family’ by replacing real families, it could now be argued that the state merely wants to emulate real families. The state has inverted the old Confucian saying ‘The father rules the family, like a king rules a country’. Now instead of fathers emulating kings or the state, the state will model itself on fathers. However the state will not just transform into any father, but rather it will be the idealised father described in previous sections - the ideal Confucian patriarch who commands respect, elicits trust and is warmly familiar rather than aloof. By presenting itself in this way, the state hopes to wrest back the control it has lost to regional and local elites during the change to a pro-market economy (Vasavakul, 1996: 3).

In some ways the state’s presentation of itself as family or father has worked. Ordinary Vietnamese do refer to it in familial terms. As well as companies in the case studies replicating a sense of family hierarchy within the company, they also replicate it externally in relation to the state. Mr A (the Vietnamese garment manufacturer), for example, characterised the relationship between himself and the government as familial. He began an interview by explaining that his company was “100% private” but added that, metaphorically, that put him low down in the state family hierarchy: “For the government ‘Private’ is like an adopted child and the state companies are the real children”. Mr A implicitly recognised the state as a father figure and his relationship to it in familial terms - but it was not the idealised, warm, trust-filled family or respected father-figure the state hopes to project. Mr A knew that as a private company he was less dear to the state. The sometimes harsh pecking order of real families had perhaps been replicated rather than the idealised one.

In the case studies we have reported foreign businessmen speaking of how relationships with bureaucrats and politicians were more important than formal papers and contracts. The Singaporean Mr G, when he was setting up the Hanoi GG Textile Group, met the then Foreign Minister Mr Nguyen Co Thach and developed a close friendship: “We became like brothers”, he said. In this way Mr G also thought of...
the state in familial terms. His personal relationship
with this particular minister was so close and trusting
that he was able to feel connected to the larger
‘family’ of the Vietnamese.

The metaphor of the ‘family’ is therefore used by
Vietnamese and foreigners like Mr G to describe their
relationships with the state. Their relationships with
representatives of the state in fact seemed, in some
cases, to be so close as to resemble relationships
within a family. Whereas in Australia or Singapore
the relationship between business people and state
officials might be distant and impersonal, in Vietnam
relationships with officials are often as personal and
close as they are in families. There is an inevitable
suggestion here of the importance of personal
relationships and deference to seniority in the
Confucian tradition.

In the case studies the personal relationship with a
Communist Party official often outweighed the
importance of the formal documentation. Mr B, for
example, after he had got the capital to start his
bottled water factory, then had to find favour with the
local government official:

“When you’ve got the capital you then go to the
government to obtain the necessary papers. Government
cadres will not necessarily accept a project because it has a good business plan. You have to understand what the cadre wants and that’s an art.”

Understanding what each individual cadre wants
emphasises the importance of each distinct
relationship with each official. Rather than just
following published, official guidelines on what is an
acceptable business plan, one also has to cultivate the
‘art’ of second guessing the particular wants of
different officials. Written rules which are
independent from any particular individual exist, but
it is also seen as vital to know and get along with the
right official.

In other case studies involving only Vietnamese
business people, the entrepreneur’s personal
connections with officialdom were helpful in
establishing the business. Mrs C for example had
previously worked for the Ministry of Foreign Trade
where, she told the interviewer, she had made
‘contacts’. Her embroidery and garment export
Company received overseas orders passed onto her
through state government and enjoyed company tax
concessions. As she explained: “Because we import
to export we do not pay import/export taxes”. She
added that “when state companies get orders from
overseas companies, the overseas companies often
tell them to order from us”. When the interviewer
then quite reasonably asked, if that was the case, why
didn’t the foreign companies just order directly from
CC Embroideries she replied “because they have pre-
existing relationships with the state companies”

Similarly, the fact that Mr A’s father was a tailor to
the Communist Party helped him. Mr A’s father’s
relationship with the state was fundamental to the
existence of the business after 1976. Furthermore Mr
A’s factory was shared with the army. Even though
Mr A’s company was private, its relations with the
state would also seem to qualify its status as ‘private’
and independent of the state.

It is these sorts of long-standing family and personal
relationships with officials that foreigners have
needed to ‘tap into’ when they do business in the
country. Foreigners are outside the hierarchies and
networks that Vietnamese have been building up
since birth. Personal relations with Vietnamese
officials connect foreigners to this dense web of
relationships. In particular foreign businessmen
have needed local partners who are connected to the
Communist Party. For this reason all of the joint
ventures in the case studies had Vietnamese partners
who were Communist Party Officials or at least had
‘government connections’. Sometimes it was because
the Vietnamese Communist Party ran the partner
company in a joint venture. For example, the two
Vietnamese directors on HH Steel’s board of
directors were responsible to the Ho Chi Minh
Peoples’ Committee, which ran the Vietnamese
construction company in the joint venture.

So important have Party connections been to doing
business in Vietnam, that in some of the case studies
the foreign firm deliberately sought out business
partners who were well-connected with the Party.
When the Singapore firm first proposed to build and
operate the EE Hotel in Halong Bay it sought a
Vietnamese partner with knowledge of the
requirements of the Vietnamese government, as well
as political and marketing contacts. The hotel duly
appointed a Vietnamese vice-director who had family
connections to the highest places in government. His
connections were successfully used to limit the
‘commissions’ the hotel had to pay to Vietnamese
authorities.

Another example of useful connections was the
Vietnamese vice-chairman of the LL Hospital’s board
of management, Professor M from MM Hospital. A
hospital staff member described Professor M’s
government connections as ‘invaluable’ when it came
to obtaining the hospital’s operational certificate so it
could commence operating. Separate negotiations had
to be conducted with the Ministry of Health, the State
Commission for Co-operation and Investment (SCCI)
and the Hanoi’s People’s Committee. In each case the
relevant authorities had to see what was in the deal
for them. As our hospital informant put it, Professor
M was needed ensure that the application went to the
‘right people’ in these various government agencies. Even with Professor M’s help some difficult negotiations with various government authorities and the payment of a commission were finally necessary to obtain the certificate.

In our case studies foreigners needed to maintain good relations, not only with high-level Party officials but also those quite low down the Party hierarchy. The Singapore conglomerate HH Steel was aware that any connection to the Party was to be cultivated. We saw in the section on the ‘culture of poverty’ that HH Steel preferred ‘black stamp’ subcontractors - private tradesmen with apparently little capital who were not connected to the government. HH Steel actually found them to be the most willing workers. Despite this, however, HH Steel employed at least one ‘red stamp’ subcontractor. When the company’s internal auditors came from Singapore, they asked on inspection of the HH officer’s work why the red stamp subcontractor’s services were used when they were more expensive and inferior to the ‘black stamp’ subcontractors. HH Steel replied that it could not terminate the contract with the government. The ‘red stamp’ subcontractors were a part of the company’s management of its relationship with the government, which in Vietnam was just as important as its production management.

The United States-born General Manager of HH Steel also saw his personal relationships with officials at the highest level down to the lowest subcontractor as important to the success of his joint venture. In 1999, after weathering the Asian economic crisis, and with HH Steel finally making a small profit, he said:

“I think that what success we’ve had is largely due to my own capacity to deal with people in the government, customs department, employees, suppliers and sub-contractors.”

He also felt that there had been some “small changes in the past decade” on the part of the government, because now at least the police did not trouble the company as they did before, and customs officials were easier to deal with.

**Joint ventures**

While high-level Communist Party members on the boards of joint ventures brought in the support of the Communist Party, some of the Australians and Singaporeans in our case studies expressed disquiet about their performance in the board room. We saw above that the Singaporean firm which set up the EE Hotel in Halong Bay deliberately sought out a Vietnamese vice-director with Party connections. However, the hotel’s general manager, Mr E, thought that his Vietnamese partner in the hotel should not have the power to dictate or intervene in financial matters. He observed that even with a much smaller percentage of shares, Vietnamese partners tended to demand disproportionate power to affect decisions with “less than creditable competence”.

Some informants in the Australian and Singaporean case studies described Vietnamese joint partners as being “invariably high up members of the Communist Party who sit mutely at meetings”. They said their Vietnamese joint partners never did things which they regarded as customary for business managers such as investing money in the enterprise or selling their shares. In the case of YY Roofing the Australians thought that this may have been because initially the Vietnamese partner, Mr J, regarded YY as little more than a ‘cash cow’. Even later, when Mr J said he was impressed by YY Roofing’s modern business methods and had the ‘highest regard’ for Mr Y, the Vietnamese partner contributed little to board meetings. His Australian partners surmised that Mr J’s silence probably represented two things: his minority share (27%) of the profits and his lack of basic business knowledge. They believed he felt a sense of inferiority in the face of modern business methods because of his windfall mentality, and so opted to leave the running of the company to the Y family. We observed earlier that Mr J, particularly in his short time-scale approach to commerce, illustrated the continuing influence of the ‘culture of shared poverty’ in modern Vietnamese business.

In the case of the LL Hospital there was also a sense that the Vietnamese joint venture partners were a necessary encumbrance. The Australian hospital managers felt that senior Vietnamese staff said little or read prepared statements at management meetings because they were government appointees who had no expertise to contribute. One Australian staff member said

“The Vietnamese joint venture partner does not care about the running of the hospital. All MM [hospital] did was provide the land and a building. The Hospital runs smoothly along modern lines because the Vietnamese are not involved.”

The Vietnamese director general manager of HH Steel was also considered by his Singaporean partners to lack knowledge of modern business methods. Despite his genuine interest in the business and the effort he took, such as going to night classes to learn about computers, they felt he was still deeply influenced by the culture of the state-owned enterprises in Vietnam. Also his Singaporean partners felt he sometimes put the Party before the business: “he more often than not acted in the Party’s interests rather than the company’s”. Mr Y put a similar sentiment even more strongly when he said “often the partner may seem the opposition.” Drawing on his experience with Mr J, Mr Y said that one’s
Vietnamese business partner “may also feel that he is in competition with you”.

In these cases, one interpretation might be that these seemingly uninterested joint partners may have been appointed by the Vietnamese Communist Party. The Party may have posted them as a director or deputy director to a foreign joint venture to make sure the joint venture was being run in a manner which did not contradict Party principles and interests. In this case the Vietnamese partners may well have been torn between their loyalty to the Communist Party and the joint venture. As vice-directors of a joint venture, such cadres would have received higher wages and have better than normal standards of living. But it would still be necessary for them to go to Party meetings and listen to political lectures at which they are told to have pride in their country and to take responsibility for its workers and the state’s enterprises. While the joint ventures were not state-owned-enterprises, the government still felt responsible for allowing them to operate in the country. Through Party-appointed board members, the government worked to ensure that foreigners acted for what it perceived to be the benefit of Vietnam. Party-appointed board members thus knew they could be removed from a joint venture at any time, and their lucrative positions there were a favour from their superiors in the Party. At board meetings they were dependent on the Party, and ultimately, the Politburo, for directions. If an issue arose on which Party officials had no policy or did not know what to do, the Vietnamese partner in a joint venture would usually say nothing.

From the perspective of the Vietnamese Communist Party, the economy was opened up in the late 1980s to gain foreign investment, skills and technology. In a joint venture the Party could achieve these gains with minimal contributions of land and disused buildings. It was typical in the case of the YY Roofing joint venture that the Vietnamese partner provided 27% of the capital in the form of land, buildings and infrastructure. The foreign partner, Mr Y, contributed 73% in machinery equipment and cash. The Vietnamese Joint partner only received 27% of the profits in recognition of this, but his individual gain from the joint venture was less important than the investment of Australian capital, expertise and better roofing he had helped secure for his country. From the Party’s perspective his help in securing the foreign investment outweighed any further contribution he could make to ongoing management decisions connected with the business.

But despite the control which officials in Vietnam exerted over the country’s commerce, in many case studies they seemed to be not conversant with the norms of commercial contracts and other commercial procedures such as approvals. Much of the Party’s business experience came from running state-owned-enterprises where the state legitimately controlled all business and the Party’s interests dictated the direction of business. Many Party representatives continued to be steeped in the culture of a command economy. Their inexperience with a free market was starkly revealed when they joined forces with a foreign capitalist company in a joint venture.

With respect to the way Australian-Vietnamese joint partner relations in the NN Mining venture appear to have been damaged by the inexperience of the Vietnamese, there were no precedents for dealing with a joint venture in mining on this scale. At the time of the case study the Vietnamese had only been used to dealing with large mining companies from the Soviet Union in pre doi moi days. The Vietnamese partners had unrealistic expectations, for instance, of the executive powers they wanted PP to exert over its Vietnamese offshoot, NN Mining. They had virtually no sense of the external pressures under which a large modern company like PP Ltd was operating - such as the shareholders, boards, legislative regimes and market forces back in their country of origin.

Another example of the inexperience of the Vietnamese in the ways of capitalism occurred after Mr Y had chosen the Hanoi Building Materials Supply Company (HBMS) as the partner to the joint venture. HBMS’s director, Mr J, indicated he could arrange for an appropriate contract to be drafted. The document, however, proved inadequate and Mr Y finally drafted the contract himself, with some advice from an Australian solicitor in Singapore. A further example of such inexperience is the contract for the larger FF Complex project which was never built. In this case the Vietnamese government stipulated in the contract that the deadline for completion and final selling up of the property was ten years. They did not recognise that variable market conditions do not favour such time limits. Properties in a free market should ideally be sold when prices are right, not according to a decade old contract.

In listing these examples of official inexperience with free market capitalism, however, it should be stressed again that the commercial culture in Vietnam is in flux. The necessity to have Vietnamese on boards of directors has now lessened. There have been increasing opportunities for foreigners to hold 100% equity in a business, and a new generation of Vietnamese directors has begun talking about investing more and selling shares. Many of the problems which arose in our case studies are indicative of an economy in transition. In the next two sections the government’s relative lack of experience with an open and free banking system and commercial approvals will be looked at - and once again we encounter indications of problems of transition from a command economy.
Banks

The government has maintained tight control over Vietnamese and non-Vietnamese businesses in the country through the banks. It has controlled most business credit through state banks. Relationships with Communist Party government officials who authorise Vietnamese banks’ loans have long been essential to secure the money to establish a new business in Vietnam. In part this is because Vietnamese banks suffer from that lack of trust which we have already touched upon. As the Australian Mr Y said, “When we first started, the banks didn’t trust us; we had difficulty borrowing money”. Australian Embassy and other expatriate advice assured Mr Y that he would be unable to raise finance in Vietnam. However, through the building of personal relationships Mr Y was able to overcome this. Accompanied by his interpreter, he approached the Vietnamese Maritime Stock Bank in Hanoi in January 1993. It turned out to be a ‘good meeting’. The next week, representatives from the bank visited YY Roofing and offered finance at 0.7% interest a month. Knowing how important and hard-won trust was in the Vietnamese business environment, YY Roofing continued to do business with Maritime Stock for about two years until its financial needs became too big for that bank’s resources.

Influenced by the perception that capital and resources were stripped from the country by colonial powers, banking in Vietnam has been only cautiously opened to international capital. The Vietnamese State Bank had fixed the exchange rates and imposed strict limitations on the conversion of the Vietnamese dong to hard currency, permitting only some specially designated industries to convert dong reserves to US dollars. In 1993 when Mr Y’s YY Roofing first had enough profit (the dong equivalent of USD300,000) to send funds out of the country, the financial rules and conventions were still unclear in Hanoi – so that expatriate business, legal and diplomatic communities tended to view the transaction as a test case. In the end, the State Bank did convert Mr Y’s money to US dollars and let it out of the country.

The LL Hospital also had problems with Vietnam’s underdeveloped banking system. It found that it suffered from not being able to borrow money against assets. In most countries it is possible to borrow capital against such assets as building and equipment. But because of the underdeveloped Vietnamese legal and financial systems, the banks would not accept the hospital buildings and equipment as assets. There was also a continuing assumption that large assets such as buildings and land are almost always state-owned. Even though the LL Hospital consortium had paid for the materials and construction of the hospital buildings, it would appear that bank officials had difficulty thinking of the consortium as private owners of the buildings who could sell them (if they had to) to repay the loan. A further problem was that in the case of the LL Hospital’s equipment no one in the country had the money to buy such technologically sophisticated medical equipment, and Vietnamese law prevented the Hospital from re-exporting it and selling it elsewhere. In this situation its high-tech equipment, like its buildings, was rendered worthless. This was not only a problem in establishing assets as security, but once equipment became redundant all the hospital could do was give it away. While this was bad from the Australian point of view, from the Vietnamese point of view it was perhaps ethical, because it kept assets such as expensive medical equipment in the country. It forced the comparatively rich Australians to ‘give it away’ to a poor Vietnamese health system.

It is hard to give a single reason for why the Vietnamese banking system was like this in the 1990s. The problems of any society undergoing such a major transition took on a particular hue in 1990s Vietnam because of a combination of factors. Banking in Vietnam may have been shaped by a culture of state owned enterprises and state-owned land and buildings, and the general lack of trust which pervades Vietnamese society. The continuing legacy of Confucian mercantilism may also have made the government both distrustful and disdainful of the banking system. These factors may have combined in such a way that when Vietnam did open its banks to international commerce in the 1990s it did so cautiously and haltingly.

State approvals and taxes

All businesses in Australia, Singapore and Vietnam are subject to taxes. How does the Vietnamese government tax foreign joint ventures? In contrast to many other countries, the Vietnamese government taxes foreign businesses or joint ventures at rates different from local rates. In some cases the tax is lighter on the joint venture as part of the ‘package’ which is negotiated at the outset to attract the foreign investor. For example, in the case of the Singaporean-Vietnamese joint venture, the EE Hotel in Halong Bay, tax on profit was waived for the first five years. In most of our case studies, however, the tax on joint ventures was higher. The tax on foreign companies grew exponentially from the late 1990s. Thanks to the fact that the joint venture contract between Mr Y and Mr J was signed in 1992, YY Roofing had a relatively light 19% profit tax compared, for instance, with the 30% tax that was levied on the profits of foreign companies in 2000.

In Australia, in implementing an across-the-board tax rate, the Australian government takes the attitude that it cannot favour one sector over another in terms of tax, not even local businesses over foreign-owned businesses. The Vietnamese government, however, takes the attitude that its first duty is to the
Vietnamese people and in the 1990s this meant it favoured Vietnamese-owned businesses through the tax system. As well as tending to tax foreigners at a higher rate, it also subjected them to greater security.

The Vietnamese government, in Mr Y’s experience, was also very particular when it came to taxing his company. On one occasion three tax officials spent a week going through YY Roofing’s books in search of an unaccounted USD319 – which turned out to be the value of samples given to buyers. Mr Y found that the only way to deal with the acute attention of a well-known company such as his was:

“...to make sure everything is squeaky clean. You have to dot every ‘i’ and cross every ‘t’. Everything has to be signed by both sides”.

Furthermore it was necessary to keep all receipts for years, because of the frequent need to prove the cost of certain items. Vietnam tax and other officials frequently failed to understand that the price of goods and machinery purchased outside Vietnam was many times more expensive than similar items made in Vietnam, and that the superior quality of foreign goods justified their price. Mr Y gave the example in the roofing business of a de-coiling machine that cost one tenth of its US price in Vietnam (USD2000 compared to USD200). The scrutiny became more intense as Mr Y’s company grew. As he wrote:

“The more successful we became the more problems there were. As we moved into profit everyone seemed to want a share of it.”

A report which Mr Y wrote about how much tax the company paid was a cause for official happiness and the Vietnamese partner, Mr J, was congratulated on his achievements in a special meeting with the Vietnamese Communist Party’s First Secretary Do Muoi - a high honour indeed. Mr J had done his duty to his country. Rather than extracting profits from the country and giving only a few jobs (by Vietnamese standards) in return, the whole nation had benefited from the success of YY Roofing company through its taxes.

This appeased some government officials who may have worried that Mr Y as a foreigner would simply take profits from the country without putting anything back. This fear was based on the remnants of a Confucian suspicion of business as a ‘zero-sum’ game, and a fear that foreign multinationals will plunder the country as colonial powers were perceived to have done. Or it may have been based on the perception that foreigners, especially multinational companies, have far more money than their Vietnamese counterparts and can afford to pay more in tax. It was taxation in keeping with the Marxist doctrine: “From each according to their ability, to each according to their need”.

The wooing of foreign companies through tariffs and other means

The fact that government policy at times favoured foreigners needs to be underlined. It conflicts with some expatriate perceptions, and was of course a result of government desire to attract foreigners businesses to Vietnam - wanting their money, their expertise and technology to modernise the Vietnamese economy and contribute to a higher standard of living for all.

In some cases the Vietnamese government in fact appears to deal more generously with foreign businesses than with its own indigenous businesses. A HH Steel informant claimed a Vietnamese company would have been surprised if it had been able to fulfil a contract with the government. He felt the government was more likely to honour contracts with foreign companies, because it knew it had to do so if it wanted to retain their investments.

As part of attracting foreign business the Vietnamese government has sometimes been willing to admit to faults. After the slump in FDI (foreign direct investment) in 1996-7, the Vietnamese government was forced to deal with the existence of corruption in order to try and attract foreign capital. One person interviewed in our case study research found a new candour not just in the Vietnamese government but also among ordinary non-official Vietnamese. Some of HH Steel’s Singaporean staff who had previously worked in Malaysia felt that this made business conditions more hospitable in Vietnam.

“In Malaysia there is a lot of corruption, but it is not openly admitted – as in Vietnam. Vietnamese admit corruption more easily and the atmosphere is easier. There is a feeling of dishonesty in Malaysia that begins with the fiction that the UNMO [Malaysia’s ruling political party] is perfect. Malays are too proud to admit corruption.”

In a similar vein, the Vietnamese also publicly criticised themselves for the collapse of the NN Mining joint venture. In September 1999 the Vietnam Investment Report quoted the Vietnamese Mr P as saying that “A big gap in the Vietnamese laws, incompetent Vietnamese managers and a loss of solidarity were the main reasons for the failure of the joint venture”. Moreover, after explaining the post-joint venture success of the ilmenite mining project, the report added that

“Mr P was quick to admit that the Vietnamese management teams learned a lot during their time with the Australian partner. Advanced
technology, management, communicating and marketing skills were all acquired by the Vietnamese managers.”

This self-criticism shows that like many Vietnamese in our case studies, Mr P realised he was on a steep learning curve. Vietnam had only recently begun to move from a largely rural-based centralised economy to a more urban, open one. Mr P acknowledged that the Vietnamese partners made mistakes and still had much to learn.

Another way the Vietnamese government tried to woo foreign entrepreneurs in some of the case studies was by promising favourable tariffs for joint ventures in its contracts with the foreign partner, including placing high tariffs on competing goods from outside Vietnam. In some cases it lowered the tariff on imports of building materials, machinery or other inputs which the joint venture needed to establish its business. In this way the government made it cheaper for foreign companies to establish themselves in Vietnam. In the case of the Singaporean-Vietnamese joint venture, the EE Hotel in Halong Bay, the capital imports for the project were granted exemption from duties in the founding agreement with the government.

It has not been the case that the Vietnamese government takes one view only on tariffs in Vietnam. As in other areas, the Vietnamese government is not monolithic. When so much depends on personal relationships with different officials rather than an absolute set of rules, officials can differ. A decision by one part of the bureaucracy may be contradicted by action from another part. Mr Y, for example, had a problem with tariffs in Vietnam because of overlapping jurisdictions between different ministries. For instance, around August 1993 the import duty on steel suddenly rose from 5% to 15%. YY Roofing wrote to the Ministry of Finance pointing out that the new import duty exceeded the 5% stipulated in the Joint venture contract. The Ministry of Finance sent an officially signed and stamped reply saying that the new tax did not apply to YY Roofing, which would continue to pay 5%. So for the next three shipments YY Roofing continued to pay 5%. Suddenly, however, the Department of Customs refused to release a shipment of USD20,000 worth of steel. When YY Roofing appealed to the Ministry of Finance, this Ministry wiped its hands of the matter saying that the stamped official letter was not a tax exemption but a guide. By this time a year had passed and YY Roofing received a USD30,000 fine from the Department of Customs for USD20,000 non-payment of tax. The matter was finally resolved when YY Roofing agreed to pay ‘the fine’ but ‘negotiated’ its reduction from USD50,000 to USD20,000. Face was saved in the ministries.

One of the lengthiest examples from the case studies of a foreign company lobbying the Vietnamese government on tariffs is that of HH Steel. The Vietnamese government had promised HH Steel tariff protection but in 1996 the market was flooded by cheaper Thai products because of an oversight. The Vietnamese government had a twenty to thirty percent import tax on such items as steel and paint, which were necessary to make steel tanks. However, it placed virtually no import tax on manufactured tanks, which meant that HH Steel suddenly found that it could not compete with imports from large Thai companies. The HH Steel Saigon factory was eventually successful in its tariff negotiations with the government after about 18 months of petitioning the government.

HH Steel began lobbying the government in 1997, sending copies of its documents to the Ministries that initially authorised the joint venture, the Ministry of Planning and Investment and the Ministry of Trade, as well as to the Tax Department and the Ho Chi Minh People’s Committee. This approach was ineffective because approaching multiple offices in the Vietnamese bureaucracy only caused confusion. It was passed from one department to another, from one office to the next, with no one prepared to make an overall assessment of the situation let alone decide on reforms.

HH Steel was successful only when it after it changed its tactics and began to send staff in to personally visit and revisit government departments in Hanoi with the simple message to raise tariffs on imported tanks. After eighteen months the matter came to the notice of a senior official in a powerful ministry “who had considerable experience of the outside world” and who finally said: “We’ll give you some protection by increasing tax on completed cylinders”. In 1999 the Vietnamese import tariff on completed steel tanks was raised to 20% and the Prime Minister’s office even launched a television advertisement recommending that people buy local steel tanks. By mid 1999 all relevant companies – both private and state – in Vietnam were placing their orders for tanks with HH Steel. The senior official who finally took the decision to increase taxes on imports of completed gas cylinders did so, he said, to benefit the entire economy. He explained:

“...it was disappointing to see a new Vietnamese industry being placed at a disadvantage because of weaknesses in procedures. These must be rectified so that the Vietnam market economy can develop and become part of the ASEAN free trade area.”

Ironically, to become part of a ‘free trade area’ it seemed that this small to medium sized joint venture needed to be protected by the antithesis of free trade,
tariffs. The tariffs can perhaps be likened to the protection a parent provides so that one day his child can go out into the world as an independent adult. It might be observed that, in this case, the implementation of tariffs reflects the continuing influence on Vietnamese government of the traditional role of Confucian patriarch and ‘protector’ of the Vietnamese nation-family.

The Vietnamese State as protector
The Vietnamese government’s reasons for attracting foreign companies to its shores include the increase in GDP and rising living standards that capitalism brings, the transfer of technology and business knowledge, and the goal of full participation in ASEAN regionalism. The government, in the 1990s was anxious, however, about the inequality that generally comes with capitalism, and showed a concern to protect Vietnamese workers from the worst aspects of capitalism. As Tran Khac Viet, a political scientist at the Ho Chi Minh National Political Academy in Hanoi has said, “We cannot sacrifice social justice for the Ho Chi Minh National Political Academy in capitalism. As Tran Khac Viet, a political scientist at

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TheHead of the Asian Development Bank office in Vietnam, Bradford Philips, has also commented on the sincerity with which the communist ethic of equality is used to critique some of the changes brought about by doi moi:

“The leaders are very much aware of the equity issue and they take it very much to heart. In just about every speech they address the gap, sort of implying that if they can’t solve it, they’ll lose their right to rule. I don’t think it’s just rhetoric” (The Canberra Times, 2 May 2005).

The Vietnamese government has embraced capitalism cautiously and has been wary of letting it go completely unchecked.

There is a contrast here with Australia, Singapore and much of the developed world, where for the last few decades government has been winding back its role in the economy, often claiming that market forces to be fairer and more efficient. In Australia, apart from safety and consumer protection laws, the government has been winding back its regulation of quality in various industries. For example, even in the case of Australian meat inspectors – who used to be government employees – there is privatisation. They are now the employees of private meat abattoirs, implementing each company’s internal quality control. The Australian government appears to assume that it does not have to regulate product quality because the market will do it more effectively. Businesses that produce defective goods will lose customers and cease to operate.

In contrast, in Vietnam the regulation of quality by government has been very strong. In the case study of DD Ceramics for example, Mr D explained that the one hundred families that are subcontracted to produce pots have their work inspected by ‘technical cadres’ who ‘go around checking and correcting’ work in progress. In the case of DD Ceramics there is a particular patriotic impetus, in that the pots are exported all over the world. In the case of HH Steel, the Vietnamese government helped not only by raising tariffs on competing imports but also by issuing a TV advertisement which noted that the Prime Minister would have the Department of Science and Technology carry out an inspection of HH Steel’s products to certify their product.

With respect to the protection of labour, the state continued to protect Vietnamese workers through laws that force benefits to be provided by their employers. These have included a basic Foreign Direct Investment Salary to be paid to the least qualified workers in joint ventures, and also the usual health and other benefits prescribed by the Labour Laws. Mrs C’s employees at CC Embroideries had compulsory social insurance, as well as superannuation and work cover.

The Vietnamese government has in addition had a commitment to keeping employment high. Since the neo-conservative economic approaches of Thatcher and Reagan swept the Western world, the ideal has been to let employment be largely determined by the market. Some unemployment is even considered necessary to provide a pool of employees who can be brought into production during times of high demand. Moreover, while in mature capitalist economies all able adults ideally earn their own keep, there is the sometimes countervailing belief that a streamlined company should employ exactly the number of workers it needs. High labour costs and advanced technology in Australia mean that if a company employs only the minimum number, its profits are increased, thus strengthening the business and giving greater returns to shareholders. There is also the implied virtue of thriftiness and avoidance of idle workers or laziness. From the point of view of Australian employers, a highly productive worker is the ideal.

In Vietnam, by contrast, there has been an emphasis in thinking about employment on the necessity of people working in order to sustain themselves physically. Mr Y’s Vietnamese partner, Mr J ran his own construction company which employed more people than needed, by Australian standards. But in Vietnamese eyes he was helping his employees, as one discussant put it, ‘to eat’. In setting up the YY Roofing business, Mr Y found that he had very different ideas about employment compared with his Vietnamese business partner. After Mr Y had built
and equipped his factory and imported his first batch of steel, he and his partner were ready to gather their Vietnamese workforce. At first assuming intensive Vietnamese labour work practices, his partner, Mr J, wanted to employ some forty people. After negotiations, however, Mr V chose a far smaller workforce of five people. It was only as the business expanded that the number of staff later increased to nineteen. (By the time of the sale of the business in 2000 it had risen to twenty-seven)

Employment is considered to be so important that the Vietnamese government in some instances has insisted that workers must be given a salary even when their employer is not operating. Mrs C took the Vietnamese approach when her embroidery export business experienced reduced orders during the Asian economic crisis. In 1998 at the height of the crisis she told the interviewer: “For four months we had no export orders”. However she did not mention the option of laying off staff, rather she explained they “used the time to reorganise the workshops and enhance the skills of the workers”. When (during the economic crisis) a flood of steel tanks from Thailand meant that HH Steel’s products could not compete, and the firm was forced to close down its Vietnamese factory for some months, HH Steel employees continued to receive 70% of their pay as required by law.

The requirement to keep on workers, even when production has shut down, may be one reason why the PP Ltd sand mining company ran into problems with the Vietnamese. When NN Mining shut down its operations it did not pay employees - unlike HH, Steel which saw it as a legal requirement in Vietnam. PP Ltd did pay its Vietnamese employees - but belatedly, after high level negotiations between the Australian CEOs and the Vietnamese government. When the forty-two containers of new machinery were held up at Hai Phong Port, the President and executive manager of PP Ltd came from Australia to Vietnam to try to resolve differences with central and local government authorities. The talks were said to “have taken place in a spirit of reconciliation and NN Mining paid workers their salaries for May and June so they could recommence production” It might be conjectured that what the Australian partners saw as a generous gesture of reconciliation, was understood by the Vietnamese to be the tardy implementation of a basic duty. The duty was all the greater when the absence of social security or subsidy for the unemployed - benefits that would be hard to implement for a relatively poor government - meant a paid job may be all that stands between a Vietnamese worker and starvation. Vietnamese workers may be underemployed or have gone home while the factory is slow or shut down but at least if they are “earning” a wage, they can still eat.

Some informants felt such government paternalism towards workers went too far. In the case of the Vietnamese entrepreneurs in the case studies, the solution they suggested was not to do away with government paternalism altogether. Some wanted the government to extend its paternalism so that it covered the employers as well as the people they employed. Mr B, for example, complained about workers in his bottled water factory leaving for other jobs after he had trained them: “the government does not have laws to defend the employer; if something happens the government is likely to defend the employees”. When the interviewer asked “But isn’t the ability to move around and sell one’s labour part of private enterprise and an open market, capitalism?” Mr B replied “Yes. But the government does not have any regulations protecting employers”. Mr B, it would seem, wanted the state to protect him as well as his workers against the disadvantages of capitalism. He wanted the state to regulate employment not only in the employees’ favour but in his favour as well. Even in private enterprise, there would appear to have been a continuing tendency to see relations between state officials and private entrepreneurs as reflecting the hierarchical nature of those between a father and a child.

The State’s relations with foreigners

The Vietnamese garment manufacturer Mr A, as we have seen, lamented that private Vietnamese companies like his were regarded by the patriarchal Vietnamese state “like an adopted child and the state companies are the real children”. If we extend Mr A’s analogy to include joint ventures, then the foreign partner-companies are like visiting children from other families. In the eyes of the parental state, they would do well to remember that they can be sent home if they do not respect the house rules.

As an example of this, the Singaporean General Manager of HH Steel reported that there was resentment on the part of Vietnamese officials toward foreigners who did not acknowledge the state’s superior position:

“Vietnamese officials have power but can also suffer from inferiority complexes, so they can’t stand foreigners who talk aggressively. Investors, who are serious, have to persist modestly if they want to succeed. We [businessmen] are not equal [to government officials] and we have to learn how to make the system work.”

Here the Singaporean interprets the officials’ defensiveness as springing from their ‘inferiority complexes’. From the Vietnamese point of view, however, there was perhaps little reason to put up with arrogant foreigners who expect to be able to ‘talk aggressively’ as though they are in some sense
superior to the government of the country they are visiting. The Vietnamese officials concerned may well feel that they have been expected to ‘kow-tow’ to foreigners too often in their turbulent history. The Vietnamese government now sets the economic and legal context in which any joint venture operates in its country.

We have discussed already the need for foreigners to establish personal relationships with officials, and to have VCP members on their boards of management, and whether those Vietnamese board members felt loyalty more to the Communist Party than to the joint venture. At a more general, impersonal level the state feels responsible for the foreigners it has allowed to operate in its country. Expatriate organisations and individuals working in Vietnam have been allocated to an office in the Vietnamese government, depending on the nature of the business and the size of the project. The relevant office has obtained expatriate visas, signed off on permissions and sometimes acted as advocates for the project. There have also been specific agencies set up to facilitate foreigners doing business in Vietnam. The State Commission for Co-operation and Investment (SCCI) and the ‘Economic Police’ have both operated in recent years. A recent study has described these government offices responsible for expatriates as “similar to a Vietnamese older sibling, who takes care of and protects the younger” (Ashwill and Thai Ngoc Diep, 2005: 82).

The expatriates in our case studies, however, have sometimes had a different perspective on the relationship – questioning, for instance, the extent to which these offices really protect and care for them. A more accurate analogy for the way such expatriates view their situation would be that they were younger ‘siblings’ at the bottom of a real, rather than ideal, Confucian familial hierarchy. Certainly many expatriates in the case studies reported feeling that such government officers favoured the older Vietnamese ‘children’. For example, in setting up the EE Hotel, the twenty-five-year contract finally approved by the SCCI had provisions for training Vietnamese staff, for formal replacement of skilled foreign nationals with Vietnamese staff and for preference to be given to Vietnamese domestic producers in the procurement of outputs.

Similarly, the Australian Mr Y’s Vietnamese partner Mr J appeared to have been favoured when he was caught selling the company’s products directly at inflated prices in order to keep the profits all to himself. Mr Y reported Mr J’s scam to the SCCI, hoping they would charge him. But while the SCCI stopped Mr J’s behaviour it did not punish him - even though it found his behaviour was harmful to the Vietnamese economy. The agency called the ‘Economic Police’ also disappointed Mr Y in not policing business crime - refusing to act when one of Mr Y’s Vietnamese employees was found to be dishonestly ‘selling’ receipts so people could say they had bought YY Roofing when they had not. They were first alerted to this ruse when a complaint was received that YY Roofing material had rusted before it was even installed. The Vietnamese employee in charge of issuing receipts for phone orders was regularly handing out YY Roofing receipts in exchange for money. People would buy ‘open’ YY Roofing receipts, then buy low grade roofing material, claim it was an YY roof, fill out the YY Roofing receipt and charge the higher YY Roofing price. Mr Y promptly ordered that the seller of open receipts be sacked. Having then to leave Vietnam on a business trip, he told a subordinate to handle the matter by calling in the Economic Police. Before departing, however, he suddenly found he was the subject to allegations by his joint venture partner, Mr J, that he had ‘violated’ the labour code. It requested that he be prevented from leaving the country before the labour inspectors could visit the factory. The exact ‘violation’ was not specified, but it seemed Mr Y was being accused of precipitously sacking the seller of open receipts.

From an expatriate perspective it is likely to be thought that Mr J stood to lose from the scam as well, so he should have joined Mr Y in punishing such dishonesty. Resistance to rust was YY Roofing’s big selling point. Roofs that were falsely labelled ‘YY Roofing’ and rusted would severely damage its name and affect sales. But from a Vietnamese perspective, it would appear that the ethical imperative was to protect jobs - even the job of someone who had taken advantage of the company and its good name. The outcome was ambiguous: Mr Y was not apprehended at the airport, but then the Economic Police were not approached about the company’s problems and the seller of open receipts was neither sacked nor apprehended.

There may also have been other reasons why in both cases the state and its representatives did not act against Mr Y’s Vietnamese employee. Westerners usually attribute the unsatisfactory results of legal prosecution of anyone high up in the Party to the fact that the Vietnamese legal body defers to the Communist Party. But while the dominance of the Party might well lead to corruption, its patriotic ideals and ethics also cause it to favour Vietnamese over foreigners (Vasavakul, 1995). Behind the lack of concern for the rule of law there seems to lurk a chauvinistic attitude in dealing with foreign partners. Thus the State Commission for Co-operation and Investment (SCCI) and the ‘Economic Police’ might have refused to sack their fellow Vietnamese, not only because of corruption or even ethical concerns about unemployment, but also because of patriotism. As the Singaporean general manager of the FF
Complex, Mr F, observed Vietnamese staff tended to cover up mistakes for each other rather and accuse whistle blowers of being “unpatriotic”. Mr F, as a foreign executive found himself thrust into the role of sole disciplinarian, being the ‘bad guy’ in Vietnamese eyes. The inaction of the Economic Police and the SCCI may be instances of this sort of attitude on a larger, more official scale.

Expatriates perceived many Vietnamese government intrusions as petty or irritating rather than debilitating. One example was when YY Roofing was told by the Department of Quality and Standards that they had ‘violated’ Vietnamese law by not having a tape-measure measured by the Department. In any country - including Australia and Singapore - one can of course find entrepreneurs with tales of petty bureaucracy, but one thing that foreigners are often not prepared for when they work in Vietnam is the intense scrutiny to which they are subject. Apart from the Vietnamese Communist Party monitoring joint ventures by appointing high level party cadres to the boards of directors, it also sometimes places foreign business people under direct surveillance. Getting used to this surveillance requires a certain amount of political-social acclimatization. As the Vietnamese-American general manager of HH Steel explained:

“When I arrived I was a free thinker. Then I began to worry about my conversations being taped. I began to select my words. I became more restrained. Then after a few years I’ve become more relaxed and accepting of the system. I’ve become used to working under surveillance…. A couple of times I’ve got information back about the company from the government that could only have come from inside. But it’s not such a big issue in this society.”

As the quotation above indicates, this particular expatriate grew accustomed to and accepting of government surveillance after a few years. He might have been a particularly easy going person, or he may have been more ready to accept such monitoring because of his Vietnamese-American upbringing. Rather than seeing anything sinister in the government’s surveillance he may have taken it as a feature of ‘high-context societies’, as Vietnam and many other Asian societies have been described. Intercultural communication specialists define a high-context society as ones which tend to be homogeneous and have extensive information networks among family, friends, colleagues and clients. People in high-context societies such as Vietnam “make a point of keeping themselves informed about everything that has to do with the important people in their lives” (Hall and Hall, cited in Ashwill and Thai Ngoc Diep, 2005: 82-83). Concepts such as personal or private matters which are ‘nobody else’s business’ except that of the individual concerned, do not have much meaning in such societies. The business equivalent of ‘commercial-in-confidence’ is also almost non-existent. The HH Steel general manager took a very negative perspective: “Everyone is indoctrined into the system of fear and paranoia… Vietnam is not a place to have a high profile. Just be like the masses and even though there’s surveillance, it will be OK at the end of the day”.

The NN Mining episode
An example of a serious clash between Vietnamese and non-Vietnamese attitudes towards government arose with the joint venture, NN Mining. Among other problems, the Australian partner company, PP Ltd, was going to import machinery into Vietnam that would cause unemployment. In a region where mining was still done by wheelbarrows and spades, their planned upgrade of equipment would cause mass redundancies among the existing 1,500-strong local labour force. The Vietnamese partners wanted the employees to be re-assigned to other maintenance work, and stated that “they must be recognised permanent staff of NN Mining”.

PP Ltd agreed to keep on existing employees and thus got the agreement of the Vietnamese joint partners, but this was not enough. Forty-two containers containing the new plant and machinery bound for NN Mining were held up at Hai Phong Port in May 1995. Despite prior approval from the Ministry of Trade, PP Ltd was accused of bringing the goods into the country before all necessary procedures had been completed - procedures such as getting approval from the Minister of Trade, and getting the necessary shipment licence from the same Ministry, based on the approved annual import plan. The forty-two containers were branded ‘illegally imported goods’, impounded at Hai Phong port, then confiscated and advertised for sale, resulting in a complete shut down of NN Mining operations in June 1996.

One study of developing economies in Asia saw the NN Mining case as just one of many where the Vietnamese government was opportunistic and dishonest in its dealings:

“The central government also revealed a marked propensity to alter the rules of the game...Many industries were subject to a wide range of environment altering decrees and circulars. Overlaiding the increasing ‘canniness’ of senior policy makers was a political ideology and rhetoric of continued xenophobia... State opportunism occurred at all levels of government that derived legitimacy from sovereignty” (Maitland, 1998: 325).
From the words of the Australian expatriates involved, however, it is clear that they were more shocked by the surveillance and harassment they experienced than state opportunism. This experience scared them:

“...provincial officials imposed restrictions on the activities of the expatriate personnel in Vietnam and threatened to stop PP representatives from leaving the country (sic). Australian expatriates were arrested by the local People’s Committee for allegedly failing to have properly obtained visas” (Maitland, 1998: 325).

In the face of this harassment and arrest of its staff and confiscation of its equipment, PP Ltd decided to pull out of Vietnam. NN Mining was broken up in May 1996. The Australian staff went back home and the Vietnamese joint venture partner, Mr P, took over the mine in Vietnam as expected. The Vietnam Investment Review reported in September 1999 that he had single-handedly turned the operation into ‘a good mine’. Not only were the 1,200 workers who were left in the wreckage of the old company re-employed but their wages were up by 50%; health and social insurance policies were written into their contracts and productivity was up. If this report is correct PP Ltd might have been giving less than the wages expected of foreign companies, which may have been one cause of their problems. There is also the implication in the VIR report that PP Ltd had not given health and social insurance policies in their contracts with workers as was also expected of companies, Vietnamese as well as foreign.

Along with the possibility that PP Ltd neglected the obligations of a foreign company towards its Vietnamese workers, there is also the possibility that the harassment of PP Ltd Australian personnel arose from an added cause - the suspicions that they were spies. The Vietnamese suspicion of foreigners has stemmed from their long history of colonialism, wars and invasions by foreigners. From the point of view of the Vietnamese Communist Party it is perhaps understandable that they wanted to extend the centralised authority they have over Vietnamese citizens to include foreign business people operating in their country. It may have been hard for Australian staff of NN Mining working in Vietnam to believe they could be seen as a security threat, even a potential one, but they perhaps failed to appreciate the central place national security has occupied in the Vietnamese psyche. Vietnam has been under siege from foreign powers for centuries. Assualts against its national sovereignty are still within living memory. All foreign business people must be regarded at least as a potential security risk, especially in areas of Vietnam near a border shared with another country. Such security anxieties are perhaps less difficult for Singaporeans to appreciate given their experience of invasion by the Japanese in World War II, their proximity to Malaysia, and their general security consciousness.

PP Ltd may well have been the unwitting victim of geography in this regard. Outside the two major cities of Hanoi and Ho Chi Minh City, especially in security-sensitive areas near borders, nearly everyone, in one way or another, including Vietnamese citizens, has been under surveillance. In these areas provincial governments have been particularly sensitive and have tended to see foreigners as a security risk. The port used by the joint venture, Hai Phong, is near maritime borders in the South China Sea. The Chinese island of Hainan is just over 200 kilometres away and several hundred kilometres beyond that lie the disputed Xisha Quindao Paracel islands which are claimed by China, Vietnam and Taiwan.

Hai Phong port also happens to be in the North where the patriotic belief that one must extract benefits from foreigners has traditionally been stronger. Foreigners, it has been believed, will always be wealthy, and as the wealthier partner they have a Confucian duty to those less well-off. South Vietnam has tended to be more open to the outside world and more cosmopolitan in its approach. Ho Chi Minh City People’s Council, for example, has enjoyed an image as comparatively progressive – it has been seen as being better at stamping out corruption, for example. One final observation concerns divisions within the government itself. Local governments outside the major cities in Vietnam, like local governments everywhere, tend to be more parochial. In Vietnam some of the deepest fissures have been between provincial and central government agencies and departments. There has been a lack of trust between many of them. Provincial governments have often hidden information from the central government, and insisted on control of their level of financial or commercial jurisdiction. There has been a division in commercial jurisdiction between the two levels of government, with the provincial government tending to look after small companies, and the central government looking after big ones. The central government has sometimes overruled local governments on matters of foreign investment.

As we have said earlier, like all governments, the Vietnamese government is not monolithic. On one occasion Hospital authorities did all they could to obtain an urgent passport for a Vietnamese Doctor so that he could travel to Singapore to complete a special in-service course on anaesthetic machines. But the passport was not forthcoming, seemingly because of jealousies between the Ministry of Health, which had jurisdiction over the doctor’s services, and the Interior Ministry which issues passports – and the Hospital had to send an expatriate doctor. In this case, the cost of bureaucratic obstruction was the loss of
skills to the Vietnamese health system that would have been transferred as a result of the course.

Sometimes the Australian staff of the LL Hospital even observed officials from different departments unable to agree on what ‘commission’ they should be paid. On the day of the official handover of the Hospital’s operational certificate in 1997 twenty-three people, including representatives from the Ministry of Health, Hanoi Architects Department and the Hospital sat around the board table. Discussions went on for a couple of hours. Even though the Australians could not understand much of what was being said because their translator could not keep up, “the hostility between the Vietnamese parties was palpable”. It seems that the various ministries from the various levels of government could not decide on the amount of the ‘commission’ to be paid. The Hospital’s Vietnamese consulting company advised that a payment of USD2,000 would be the sum required. However the Hospital’s finance manager would not agree to this and a lesser amount was finally handed over in envelopes to some of the people present.

In this chapter our case studies have pointed to social issues that have arisen as Vietnamese culture undergoes reorganisation in response to the global imperative of development. Vietnamese culture has adapted creatively in order both to develop and to preserve the national identity. The state, as we saw, has sometimes tried to deliberately guide this adaptation in certain directions. Social issues that came to the fore in the case studies of joint ventures included corruption, regional disparities in wealth, unemployment, and workplace and management relations. In each case the need to examine the context of market and business cultures is obvious. The State is often viewed with some suspicion by expatriate business operators – and we have noted many instances that helped to promote that perception. In the next chapter we try to provide not only cultural but also historical context that can help promote the understanding – if not quite a contentment – with different business ethics.

CONCLUSION: RECONCILING FOREIGN AND VIETNAMESE INTERESTS

The last two chapters have been concerned to situate concrete issues in business in a cultural and to some extent historical context. In our case studies, foreigners doing business in Vietnam often shared practices and attitudes with the Vietnamese but sometimes they differed in significant ways. In many cases these different ways of doing business were perceived as problems, but they also drew attention to the operation of different values and ethics systems, that may be of vital significance for the future.

Among the concrete issues our Vietnamese subjects shared with Singaporeans and Australians – one was that of ‘commissions’. Vietnamese as well as foreigners complained about having to pay bribes or ‘commissions’ to get business done in Vietnam. Sometimes they paid the commissions. In other cases, such as that of Mr Y of YY Roofing, they refused to pay commissions and yet managed to maintain a thriving business.

Certain foreigners who paid commissions, like the Australian administrator in the LL Hospital, believed that officials who demanded these sums did so ‘more from need than greed’. Need was very real in a country with widespread poverty. Poverty led to many practices such as people counting boxes of 1,000 screws to make sure none were missing or nurses marvelling at water running out of taps. Poverty, and the culture of poverty, in fact appear to have been the cause of many of the problems we observed. Doctors fell asleep on the job because they had been up the night before lining up to get water from the local pump. Practices such as the hiding of wealth from officialdom, affected the viability of the LL Hospital: it lacked Vietnamese patients because those who were rich enough to afford expensive private hospital fees did not want others to know.

Another issue frustrating foreigners (again to some extent influenced by the culture of poverty) was the way Vietnamese business managers and subcontractors failed to plan for the long term. Responses to our survey showed that only a minority of Vietnamese business managers (25%) felt that a ‘good business strategy’ should include long-term planning and goals. Madam D’s son spoke about how most Vietnamese firms lack the capital to reinvest profits back into firms and train and plan for growth of the business in coming years. This general short sightedness also saw some Vietnamese such as Mr J, Mr Y’s business partner, attempt to defraud his own company. Mr J’s actions could have hurt the company and thus his own long-term interests. Many Vietnamese business partners displayed the attitude which the Singaporean businessman Mr F summarised as ‘take what you can get now and not wait for what you really want to come through’.

As well as lacking long-term planning, many foreigners saw their Vietnamese business partners as lacking knowledge of other modern business concepts such as cash flow, depreciation and expansion credit. In our case studies they expressed frustration with the Vietnamese on their executive boards for their lack of business sophistication. Vietnamese contracts and banking procedures were also often found to be wanting.
Ordinary Vietnamese, in fact, emerged in our case studies as wary of many business procedures. The traditional Confucian belief that commerce is a zero-sum game seemed to linger. They would travel many kilometres for instance, to conduct a transaction in person. Cash was preferred to credit due to lack of trust in the banks. Government bodies were treated with suspicion. Officials were thought to put themselves above the rule of law. The trust necessary to all commercial transactions was not founded in the rule of law as it might be in Singapore or Australia but in the institution of the family.

The Vietnamese family structure itself, however, occasionally presented problems. Heavily influenced by the cultural inheritance of Confucianism - which demands that respect be shown in recognition of status - the individual tends to be expected to defer to those of higher status, whether by age, gender or descent order of kinship. The Confucian father at the top of this hierarchy has respect conferred upon him but also a large burden of responsibility. For this reason executives such as Mr B found it difficult to delegate discipline. He also complained about the lack of personal responsibility taken by his staff, as they deferred to his leadership on even the most mundane tasks. Vietnamese female executives in addition had problems with the traditional family structure. Mrs C, for example, found this patriarchal hierarchy difficult to negotiate when her traditional submissive domestic role conflicted with her roles as an executive helping to run a company. Despite examples of this type, however, it is in general true that the family is used by Vietnamese to overcome many of the problems they encounter when doing business.

The family remains the main organising principle in Vietnam despite a growing individualism that has emerged as Vietnam has shifted from a centralised, rural-based economy to a more open, urban one. This transformation was embodied largely in Mr B, the owner of the BB Water bottling plant. He mentioned his family less than the other Vietnamese participants and prided himself having set up the company all by himself and running it like a ‘foreign company’. But Mr B’s individualism was certainly not free of clan-based village imperatives. He lamented the fact that it was difficult to know the background of potential employees in the absence of a clan-based village. He seemed also to have difficulty maintaining staff loyalty in the absence of traditional ties. In fact a sign that more and more Vietnamese managers must be having problems with managing individuals, outside their traditional familial roles, would seem to be the burgeoning genre of business management and psychology literature in Vietnam.

Another problem often identified in our case studies is that the state has continued to interfere too much in business. Our survey encountered support for such interference: 77% of respondents still thought the government “more important than the role of the individual in the market”. We noted many types of interference: the state, for instance, setting the parameters for many businesses through its control of the banks, and a whole gamut of issues arising from the need to cultivate personal relationships with State officials. While Vietnamese business people seemed to have less trouble with this - Mrs C, for example, successfully used her pre-existing relationships with state companies to get export orders - even they implied that the process was often delicate, Mr B describing it as ‘an art’.

Located largely outside these networks - which Vietnamese have with each other and with state officials - foreigners appear often to have surmounted the problem by getting a Vietnamese partner to help them ‘tap into’ these webs of personal relationships. In many of our case studies the foreign company actively sought out a well-connected Vietnamese business partner before establishing itself in the country. But this could bring its own problems. Expatriates were often dissatisfied with the performance of their Vietnamese partners in the board room. It was felt that the influence of the Vietnamese Communist Party (VCP) meant that the first loyalty of some Vietnamese business partners was to the Party rather than the joint venture. Vietnamese executives were criticised for sitting mutely in board meetings, unless they were given specific directives by the Communist Party. Furthermore, it was often felt that the Party itself was inexperienced in the ways of capitalism. The Party, for example, seemed not to know how to deal with such a large mining operation as PP Ltd.

The interests of the VCP representative on the board had interests might diverge from those of their foreign partners because the VCP was still engaged in opening up the economy – seeking to gain foreign investment, skills and technology. The profit margin of the joint venture might be seen by the Party as of secondary importance compared with its benefit to the nation or VCP. It is for this reason that the Vietnamese Mr J was congratulated for his achievements when Mr Y reported how much tax his company had paid.

Issues also arose over the way the Vietnamese government was inclined to treat foreigners with suspicion: many expatriates were not used to being considered a security risk. In this regard the mining company, PP Ltd, perhaps suffered more than others. It may well have been because the company was viewed as a security risk that it suffered fines, confiscation of assets and close surveillance.
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Contexts
All these issues in business activity arose in four broad contexts - contexts that were often both the source of the problems and, in addition, the source of ways in which business people could ‘solve’ or at least adapt to these ‘problems’. The four contexts are: the changing material conditions of Vietnam, the family, the state and the continued influence of poverty. The first context concerns the way the material condition of Vietnam is undergoing great change as its poor, rural-based, centralised economy gives way to a wealthy, more urban, more open economy. The next context, the family, is seen by many Vietnamese, particularly government officials, as a bulwark against the social changes brought about by doi-moi. The third context, the state, tries to control or at least influence the changes that are happening and the rate at which they happen. As the last chapter showed, however, the State is not always in control. The one constant, linking all three of these contexts, is change.

Regarding the fourth context, although the changing material conditions of Vietnam – with the growth of cities, industries and prosperity – need to be acknowledged, real poverty persists. There is as well the influence of the ‘culture of poverty’, and the imprint it leaves on people who are no longer directly threatened by starvation.

Perhaps the most important context for most Vietnamese, so our research suggests, has been the family. The Vietnamese emphasise family not only in their business dealings but in practically all other aspects of life as well. It has continued to be a powerful organising principle. The family has to a certain extent mitigated the effects of poverty: it provided care, for instance, when the health system was in abeyance in their home state. Observing special offerings at temples. But they were an assertion of familiarity, of course, was expected to be coupled with respect. The ideal is the Confucian father who is close to his family and trusted by them but his authority is respected, ‘natural’ and never questioned.

Mr Y recognised this when he said that in Vietnam business managers must know how to ‘behave fairly, equally and in the most feeling way’. Seeing YY Roofing as an ideal ‘big family’, he considered ‘no command and order’ were needed because there “is only cooperation’. The Australian Y family would appear to have reduced the social distance between themselves and the Vietnamese (thus building trust and familiarity) by living modestly when they were first establishing their business in Vietnam.

Many Vietnamese business people, and the most successful foreigners we have encountered, extended the family context to include the workplace. They fostered family-like bonds in their work places, treating members of their staff like close family - taking them to restaurants, paying for their wedding reception and so forth.

Celebrations in general strengthened relationships - and Singaporean expatriates in particular delighted in rediscovering many traditions that had fallen into abeyance in their home state. Observing special festivals and traditions added a substantial cost - with expenditure on fireworks, feasts and other ritual offerings at temples. But they were an assertion of status – just as the level of family celebrations for a wedding, or in revering ancestors, maintained a family’s status.

There is in fact no word for ‘you’ in Vietnamese, and Vietnamese tend to address each other using pronouns that position everyone within a notional family: younger female friends are addressed as ‘little sister’, older male friends ‘big brother’, and so forth. Such a constant reminder of one’s place in a family-like hierarchy implicitly demands that a Vietnamese business person show due recognition of status at all times. Thus two Vietnamese people conducting a business transaction cannot be said to address each other as neutral economic actors, but rather know where they rank in relation to each other’s status. At the top of the business/family hierarchy is the owner of a business or factory – who has ideally the same authority over his employees as the Confucian patriarch has over his family.

The Confucian patriarch could easily be a distant and stern authority were it not for the softening effects of ‘familiarity’ – a cultural trait that in part may have arisen from Vietnam’s cultural inheritance in Buddhism.. Mrs C in her factory was able to soften the effect of the Confucian hierarchy on young women – who might well be seen as located on the bottom rung - by explaining intimate facts such as pregnancies to her factory managers and encouraging them to be polite. It was also appreciated when Singaporean or Australian business partners were friendly and approachable rather than aloof. Familiarity, of course, was expected to be coupled with respect. The ideal is the Confucian father who is close to his family and trusted by them but his authority is respected, ‘natural’ and never questioned.

Three features of Vietnamese family life emerged as most important for business: trust, respect and familiarity. In situations where business relations were not in fact between family members, people sought to replicate the trust that is thought to exist within the family in the ‘low trust’ world of business. There is in fact no word for ‘you’ in Vietnamese, and Vietnamese tend to address each other using pronouns that position everyone within a notional family: younger female friends are addressed as ‘little sister’, older male friends ‘big brother’, and so forth. Such a constant reminder of one’s place in a family-like hierarchy implicitly demands that a Vietnamese business person show due recognition of status at all times. Thus two Vietnamese people conducting a business transaction cannot be said to address each other as neutral economic actors, but rather know where they rank in relation to each other’s status. At the top of the business/family hierarchy is the owner of a business or factory – who has ideally the same authority over his employees as the Confucian patriarch has over his family.

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While the Vietnamese communist state used to deplore excessive expenditure on festivals, by the 1990s it had recognized the importance of festivals and traditions in maintaining family bonds. And the family had risen again in the Party’s estimation, being seen as a bulwark against globalised pop culture. The state enlisted the family to assist its efforts to keep at bay the bad side of capitalism – a development the Vietnamese state itself had ushered in with doi-moi, and now sought to modify. These efforts by the state formed the other major context looked at in this paper.

On the one hand, the state has embraced and encouraged capitalism - keen to attract the increased foreign investment, living standards and technological know-how that capitalism can bring. The state has encouraged foreign companies to establish joint ventures in Vietnam by offering them such things as favourable tariffs on competing products or imported materials. The imported materials necessary for the establishment of the Singaporean-Vietnamese joint venture, the EE Hotel, for example were granted exemption from duties in their founding agreement with the government.

On the other hand, however, in many of our case studies the state was yet to adapt fully to the new capitalist context. It had not made a full transition – and in some cases this seemed to have been quite deliberate. The government of course was attempting to do business in a free market when much of the business experience of Party officials was gained in running state-owned enterprises, where the state legitimately controlled all business in the interests of the Party. The Party also still seemed affected by its colonial past - fearing perhaps that capital and resources might be stripped from the country by multinationals as they once were by colonial powers.

Anxious about the changes they have been ushering in, the Vietnamese elite has sought to temper the impact of market forces in their country – and our discussion of the cultural and historical background of the country suggests we cannot dismiss their efforts as merely cynical. In an effort to ease the transition, the state has turned in particular to the revered, powerful institution of the family. Ho Chi Minh, for example, declared Vietnam to be indivisible “since no one can divide the members of one family”, and in recent times both ordinary Vietnamese and the state have compared the government to the head of a family. In our case studies Mr A thought that his company being ‘100% private’ put him lower down the family hierarchy: “For the government private is like an adopted child and the state companies are the real children”.

In keeping with its familial image, the state also has implemented legislation to protect Vietnamese workers from the worst ravages of capitalism, in particular the ravages of foreign capitalism. A lingering Confucian attitude towards commerce as a zero-sum game might be an influence here, but it is also the case that as recently as 1989 Vietnam was on a war footing, and this would almost inevitably encourage suspicion of foreigners. The VCP could be expected to attempt to ‘manage’ the country’s interaction with other foreigners, rather than leave it to the ‘free market’ – and there would appear to be a degree of public support for this understanding of governmental responsibility. The attitude of many Vietnamese seems to be that capitalism is here but they want still to adhere to communist ideals such as equality and respect for those at bottom of financial hierarchy. In many ways, Communism now provides more of a moral than an economic template for the country.

It is here that our research takes on a wider significance. As market forces are unleashed in such countries as Vietnam, it is important to discern local perspectives that are likely to demand important modifications. In our case studies we encountered a series of practical issues arising in business activity in Vietnam – some causing particular frustration for foreign business engagement. Time and again, however, our survey of cultural and historical contexts has helped to promote understanding when dealing with apparent conflicts of perspective. This same local knowledge – appreciation, for instance, of the past role of the state, the family and the culture (and fact) of poverty – will be essential in current Vietnamese attempts to create an ethical code to guide the capitalistic endeavours of the future. This local knowledge concerns the ‘root stock’ upon which such a code might be grafted.

We can expect that in one country after another across the Asian region and elsewhere there will be attempts to develop ethical structures – and in most cases the process will involve drawing on both long-established perspectives and critical historical experience. The challenge in this will be to make explicit a range of tacit (and broadly accepted) assumptions about what one ought to do in general – and in the context of a market economy, in particular. Systems of values and principles constantly shape decisions – but usually without anyone consciously attending to them and the work they do. If the evolution of market economies is to avoid the destructive ‘wild west’ phase of laissez-faire capitalism (which is inimical to the operation of a free market), then it will require the identification, deployment and application of ‘indigenous’ ethical frameworks that underpin genuinely open markets. We have not heard the last of ‘the family, or of the Confucian responsibilities of the Vietnamese state – and this need not mean that Vietnam will develop less effectively than other countries. Constructing an
explicit ethical code may actually help to give Vietnam stability and to make it a model for other countries in the region that look toward the future with anxiety as well as excitement.

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