

EMERGING ASIA GIANTA SOCIO CULTURAL PERSPECTIVE OF VIETNAM BUSINESS

Gideon Guo Qinxian *

*Nanyang Technological University Amity Global Institute Lecturer,
Master and Doctoral Thesis Supervisors for Education and Business
Programs Zone Chairman, Lions Club of Singapore.*

Received 15 December 2024; Revised 30 December 2024; Accepted 02 January 2025

ABSTRACT

This article examines Vietnam's evolving role in international trade, highlighting its transition from a primarily tourism-based economy to a significant player in entrepot trade. With increasing consumer purchasing power, Vietnam has attracted a growing number of foreign investors seeking to capitalize on market opportunities. The study underscores the importance of understanding socio-cultural values as a critical factor for success in this market. It advocates for a comprehensive re-evaluation of culturally relevant values to inform business strategies, thereby enhancing the potential for effective market entry and sustainable growth in Vietnam's burgeoning economy.

Keywords: Vietnam, Business, Culture, Socio-culture

INTRODUCTION

Vietnam is emerging as a crucial player in the global economy, particularly within the realm of international trade. With its strategic geographic position, favorable economic conditions, and increasing foreign direct investment (FDI), Vietnam is transitioning from a developing economy to a manufacturing and trade center. This paper explores the socio-cultural dimensions that influence business practices in Vietnam, examining the role of cultural values in negotiation, investment, and trade. The analysis draws from personal experiences in the Vietnamese market, highlighting how foreign businesses can navigate these cultural nuances for better success.

ROLE OF VIETNAM IN ENTREPOT TRADE

Vietnam's Role in Entrepôt Trade Vietnam holds a prominent position in entrepôt trade, functioning as a key transit point between other Asian countries, especially China, and global markets. The country saw a “20% increase in export volume in recent years, turning it into one of the fastest-growing economies in Asia (World Bank, 2023). For instance, Vietnam's exports to the U.S. amounted to approximately \$77 billion in

***Correspondence to:** Gideon Guo Qinxian, Nanyang Technological University Amity Global Institute, Lecturer, Master, and Doctoral thesis supervisors for education and business programs Zone Chairman, Lions Club of Singapore, Tel: +6596725705; E-mail: lionhopetherapy@gmail.com; gideonlcslope@gmail.com

2021, showcasing its growing significance as a trading partner (U.S. Census Bureau, 2022).

RE-ROUTING TRADE TO VIETNAM

There is increasing scrutiny by the U.S. on rerouting trade from China. The United States has been increasingly vigilant regarding global supply chains, particularly those rerouting through Vietnam as businesses seek alternatives to China amidst the ongoing trade tensions (Reuters, 2021). This scrutiny has further fueled Vietnam's rise in prominence as a manufacturing hub, mainly for technology companies seeking to diversify their supply chains. Notably, tech giants like Nvidia and Apple have begun shifting their manufacturing bases to Vietnam, a testament to its growing reputation as a favorable location for high-tech industries.

ATTRACTIVE IMMIGRATION LOCATION

The low cost of living is an attractive factor for immigration. Vietnam offers a relatively low cost of living, making it an attractive destination for retirees and expatriates from countries like Korea, Japan, Singapore, and even Western nations. The cost-effectiveness of living and doing business in Vietnam adds to its allure, with many foreigners seeking both investment opportunities and a comfortable lifestyle in this emerging market (OECD, 2022). Foreign direct investment in Vietnam has noticeably increased, with top investors being Singapore, Korea, Japan, and China. Interestingly, Singapore has emerged as the top investor, surpassing historical investors like China and Japan. This surge can be attributed to Singapore's bilingual capabilities and deep understanding of Asian cultural values, allowing it to adeptly navigate the complexities of the Vietnamese market.

Historically, Vietnam has been stereotyped as a destination for sex tourism, which undermines its potential as a legitimate business hub. However, cultural shifts and economic growth have transformed this narrative. The shift from such stereotypes is increasingly critical as Vietnam positions itself as a technology and manufacturing powerhouse, appealing to foreign investors looking to set up operations in Asia.

INCREASING PURCHASING POWER

Rise of the Middle-Class Vietnam's economic transformation over the past few decades has led to the emergence of a substantial middle class. As the economy continued to liberalize since the implementation of the "Đổi Mới" (Renovation) policy in 1986, Vietnam has witnessed significant growth in gross domestic product (GDP) and improved living standards. According to a report by McKinsey & Company (2020), the Vietnamese middle class is expected to expand from 10 million in 2018 to nearly 33 million by 2030, signifying a profound shift toward consumer strength and purchasing power in the domestic market. The disposable income of Vietnamese consumers is on the rise, driven by economic growth, urbanization, and a shift towards a market-oriented economy. From \$2,000 in 2009, Vietnam's GDP per capita has nearly tripled, reaching approximately \$5,000 by 2022 (World Bank, 2022). This increase in GDP per capita significantly enhances the purchasing power of

the average Vietnamese citizen, enabling an expanding base of consumers who seek higher-quality goods and services. Increased affluence among the growing middle-class results in changing consumption patterns. Urban consumers are increasingly attracted to international brands and modern retail formats. With approximately 70% of Vietnam's population under the age of 35, there is a notable shift towards consumption that emphasizes lifestyle and personal experiences (General Statistics Office of Vietnam, 2023). Common expenditures include discretionary categories such as clothing, electronics, dining, and travel, reflecting a modern consumer culture. As affluence grows, international brands are paying closer attention to the Vietnamese market. Leading fast-food chains and beverage companies have recognized Vietnam's potential and penetrated the market with aggressive marketing strategies. For example, Starbucks entered Vietnam's market in 2013, and as of 2023, it has expanded its footprint to over 90 stores nationwide (Starbucks, 2023). Furthermore, boutique shops and shopping malls like Vincom Center are thriving, indicating the demand for a higher-end retail experience (Vietnam Investment Review, 2022). Vietnam's rapid urbanization also contributes to rising purchasing power. Urban areas are magnets for economic activities, concentrated wealth, and infrastructure investment. Cities like Ho Chi Minh City and Hanoi are witnessing significant developments in accommodation, healthcare, and education, rendering them attractive for both local and foreign residents. Urban consumers tend to have higher incomes and greater exposure to global trends, further driving demand for premium products and services. The emergence of Vietnam's middle class and the concurrent rise in purchasing power present lucrative opportunities for global and local businesses alike. The shift towards more affluent consumption behaviors, driven by urbanization and digital adoption, reflects the changing landscape of Vietnam's economy. Businesses focusing on understanding and adapting to this evolving market can significantly benefit from the growing affluence and changing lifestyles of Vietnamese consumers.

CHALLENGES IN VIETNAM MARKET

While there are similarities between Vietnam and other Asian cultures, such as Korea and Japan, crucial differences stem from Vietnam's unique historical and economic context. The emphasis on collectivism influence of Confucian values, and the aftermath of socio-political changes create a distinct business environment compared to its more industrialized neighbors. For instance, Japan's well-established corporate hierarchy contrasts with Vietnam's informal business conduct, where flexibility is often prioritized over strict adherence to protocol. Similarly, while adherence to hierarchical structures is important in South Korea, Vietnam embraces a blend of traditional and contemporary business practices, making adaptability essential for foreign investors. Such are relevant to business development and strategy. Understanding these socio-cultural factors can significantly enhance the strategic approach to business development in Vietnam. Companies that leverage these cultural concepts are often more successful in negotiations, securing contracts, and managing partnerships. Utilizing a socio-cultural lens can

thus serve as a more relevant guide than traditional power-based models. Economic potential and geopolitical considerations of Vietnam's growth trajectory positions it as a superpower in international trade. It serves as a strategic player in Asia, benefiting from its location and trade agreements that facilitate tariff circumvention. Furthermore, Vietnam's bustling economy offers immense potential for manufacturing, especially in regions like Hanoi, while the service industry thrives in cities like Ho Chi Minh City.

STRATEGIC ROLE OF SOCIO-CULTURAL VALUES IN BUSINESS

Despite opportunities, foreign investors face challenges, including bureaucratic obstacles, opaque regulatory frameworks, and cultural misunderstandings. Recent cases, such as unfortunate incidents involving foreign business partners encountering severe repercussions due to misunderstandings, highlight the critical need for cultural intelligence and local insight (BBC News, 2021). As many foreign enterprises plan to enter Vietnam's vibrant market, understanding the significance of Asian cultural values becomes paramount. Countries like Singapore have demonstrated the effectiveness of cultural intelligence in navigating Vietnamese business landscapes, establishing robust partnerships through superior understanding and adaptability to local customs. From the author's personal experience in the Vietnam market, navigating Vietnam's business landscape can be arduous for foreigners due to a relatively opaque information environment and bureaucratic processes. I found that establishing a business in Vietnam often requires a prolonged approval process-typically ranging from six months to a year. This timeframe can be frustrating, especially for businesses expecting quick entry into the market. The need for larger capital investment can also be a hurdle for new entrants. It is important to understand the socio-cultural values. Key Cultural Concepts include Face (mianzi), Guanxi, and Renqing. Cultural values in Vietnam, such as "face" (mieng or saving face), "guanxi" (relationships), and "renqing" (social connections), play a pivotal role in business interactions. Vietnam's business environment is deeply rooted in its socio-cultural fabric. Success in this market requires a nuanced understanding of cultural values such as "face" (mianzi), "guanxi" (relational ties), and "renqing" (human emotion). These values are integral to communication, negotiation, and strategy in brokering deals and establishing partnerships, and they offer a distinct lens for understanding how business relationships are cultivated and sustained. In other words, these are crucial for success in Vietnam's business environment. By recognizing the interactions between these socio-cultural values, foreign and local businesses can navigate the complexities of the Vietnamese business environment more effectively.

In Vietnamese culture, business dealings are often influenced by reputation and social standing, making it vital for foreign businesses to approach negotiations delicately to avoid causing embarrassment or loss of face for any party involved (Nguyen & Benetto, 2022). Maintaining face, or mianzi, is central to Vietnamese culture, where social reputation and dignity are paramount. Losing face-either through direct criticism,

public embarrassment, or failure-can have severe repercussions in business dealings. Conversely, granting face by showing respect and recognition can foster goodwill and strengthen relationships (Nguyen & Benetto, 2022).

In a business context, face is preserved by ensuring that all parties maintain dignity and honor during interactions. For instance, disagreements are often addressed indirectly to avoid confrontation. Decision-making may involve careful negotiation to ensure all participants save face. Foreign businesses entering the Vietnamese market must tread carefully, balancing transparency with tactful communication. For example, expressing dissatisfaction with a partner's performance should be done discreetly to maintain harmony and mutual respect (Tran, 2021). Business dealings are often influenced by reputation and social standing, making it vital for foreign businesses to approach negotiations delicately to avoid causing embarrassment or loss of face for any party involved (Nguyen & Benetto, 2022).

Similar to Chinese culture, *guanxi* or relational tie in Vietnam emphasize interpersonal relationships and networks. Establishing strong personal connections can significantly impact the effectiveness of business negotiations and can lead to better terms and conditions. *Guanxi*, which refers to the network of interpersonal relationships, is a cornerstone of Vietnamese business culture. Similar to its interpretation in China, *guanxi* in Vietnam involves cultivating connections that facilitate trust and reciprocity. Unlike transactional relationships, *guanxi* emphasizes a long-term, reciprocal exchange of benefits that extends beyond the professional domain (Nguyen & Benetto, 2022).

Building *guanxi* often requires personal engagement, such as attending social events, sharing meals, or participating in community activities. In Vietnam, *guanxi* can open doors that formal processes cannot. For instance, businesses often rely on local intermediaries with strong relational networks to navigate bureaucratic hurdles, secure licenses, or gain market insights. A robust *guanxi* network can also provide a competitive edge by ensuring access to exclusive opportunities and resources (Tran, 2021).

Human connection (*Renqing*) revolves around social obligations and favors, fostering long-term relations built on reciprocity and commitment (Tran, 2021). *Renqing* refers to the social obligations and favors exchanged within relationships. Rooted in Confucian ethics, *renqing* fosters long-term commitments based on empathy and mutual support. In Vietnam, the principle of *renqing* plays a critical role in enhancing trust and deepening business relationships (Nguyen & Benetto, 2022).

Renqing is often demonstrated through acts of kindness, gift-giving, or aiding in times of need. These gestures are not merely transactional but are seen as investments in the relationship. For example, a business partner who goes out of their way to accommodate a client's needs is seen as adhering to the principles of *renqing*. Over time, these

acts build loyalty and a sense of obligation, which can be leveraged in negotiations or partnerships (Tran, 2021).

The concepts of "face" (*mianzi*), "guanxi" (relationships), and social networks act not only as fundamental building blocks for interpersonal connections but also serve as power bases for navigating the challenges of doing business. These elements function as informal, often unrecognized tools-or "back door strategies"-that can help businesses bypass traditional barriers and achieve favorable outcomes. Understanding and leveraging these mechanisms facilitates access to essential resources, fosters long-term relationships, and creates significant opportunities for success in a rapidly evolving market. Understanding and respecting these socio-cultural values are essential for success in Vietnam's business landscape. These values shape several informal approaches that can complement traditional strategies. For instance, "backdoor strategies" involve leveraging personal connections and networks to navigate Vietnam's bureaucratic complexities. Businesses often work through trusted intermediaries who can facilitate introductions or expedite processes. This approach underscores the importance of *guanxi* in overcoming procedural hurdles (Nguyen & Benetto, 2022). Another is "flower-drinking" (social networking). This is a traditional Vietnamese practice of social networking, often involves informal gatherings at cafes, karaoke venues, or shared meals. These settings provide opportunities to strengthen personal ties and discuss business matters in a relaxed environment. Participating in such activities demonstrates respect for local customs and helps build trust (Tran, 2021). Finally, gift-giving must be handled cautiously to avoid ethical concerns, it remains a culturally appropriate way to express gratitude and strengthen bonds. Gifts are symbolic gestures that convey respect and acknowledgment, contributing to the principles of *renqing* and *face* (Nguyen & Benetto, 2022).

Foreign businesses aiming to establish themselves in Vietnam must prioritize cultural intelligence. A lack of understanding of these socio-cultural values can lead to missteps, such as offending a potential partner by failing to show respect for *face* or underestimating the importance of *guanxi*. Conversely, businesses that align their strategies with these cultural principles can enjoy smoother negotiations, stronger alliances, and enhanced credibility (Tran, 2021). For example, when entering Vietnam's competitive market, international companies may find success by collaborating with local firms or individuals who possess strong *guanxi* networks. This approach not only facilitates market entry but also helps build long-term partnerships grounded in mutual trust and shared goals (Nguyen & Benetto, 2022).

In conclusion, Vietnam's socio-cultural values of *face*, *guanxi*, and *renqing* are more than abstract principles-they are practical tools that influence every aspect of business practice. By embracing these values, foreign businesses can navigate the intricacies of Vietnam's dynamic market, foster meaningful relationships, and achieve sustainable success. The integration of socio-cultural insights into business strategies represents not only a pathway to operational efficiency but also a bridge to deeper understanding and cooperation. As Vietnam continues to rise as a

global economic player, the significance of cultural intelligence in navigating its business environment cannot be overstated (Nguyen & Benetto, 2022; Tran, 2021). Vietnam is cultivating its position as an emerging economic giant in Asia. Its growing attractiveness for foreign investment, significant trade potential, and rich cultural landscape present both opportunities and challenges. A nuanced understanding of socio-cultural values such as face, guanxi, and renqing is essential for foreign businesses aiming to thrive in this dynamic market. The establishment of effective negotiation strategies rooted in these cultural principles can offer a distinct advantage in securing business contracts, ultimately leading to greater success in Vietnam. As Vietnam continues to evolve beyond simple stereotypes, it stands poised to become a pivotal player in international trade and regional geopolitics.

REFERENCES

- Bian, Y., & Zhang, L. (2014). *Guanxi networks in China A social capital perspective*. New York: Springer.
- BBC News. (2021). Businessmans murder highlights risks in Vietnams emerging economy. Available online at: <https://www.bbc.com/news/world-asia-58016108>
- Chen, J. (2018). The importance of guanxi in business interactions: Evidence from the Vietnamese market. *Journal of International Business Studies*, 49, 983-1008.
- Donnelly, M. (2019). Navigating business networks in Vietnam: The role of social capital. *Asia Pacific Business Review*, 25, 364-378.
- General Statistics Office of Vietnam. (2023). *Vietnams Economic Growth and Middle-Class Emergence*. Hanoi GSO Press.
- Harrigan, P., Hristov, A., & Hsu, H. (2021). Understanding social networks in emerging markets: Context matters. *Journal of Business Research*, 122, 732-740.
- Hofstede Insights. (2023). Cultural insights into Vietnam. Retrieved from Hofstede Insights. Available online at: <https://www.hofstede-insights.com/product/pt-analysis/>
- Le, T. T. (2021). Cultural considerations for foreign businesses in Vietnam: A guide to getting it right. *Southeast Asian Journal of Business Studies*, 15, 45-62.
- Li, H., & Zhou, X. (2017). Guanxi and business performance in Vietnam A study of SMEs. *International Business Review*, 26, 303-316.
- Reuters. (2021). US Scrutinizes Vietnam's Trade Policies amid Tariff Concerns. Retrieved from Reuters. Available online at: <https://www.reuters.com/business/us-trade-concerns-vietnam-2021/>
- Tran, T. (2021). The role of renqing in Vietnamese business culture. *Journal of Asian Business Studies*.
- Vietnam e-Commerce and Digital Economy Report (2023). ACCI General Statistics Office of Vietnam. Statistical Yearbook. Available online at: <http://www.mict.gov.vn/en/Pages/default.aspx>
- McKinsey & Company (2020). Vietnam's Economy A View Beyond COVID-19. Retrieved from McKinsey. Available online at: <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/vietnams-economy-a-view-beyond-covid-19>
- Nguyen, A., & Benetto, L. (2022). Cultural Factors Influencing Business Negotiation in Vietnam: Maintaining Face in Vietnamese Culture. *Journal of Business Research*.
- OECD. (2022). Vietnam Economic Snapshot. Retrieved from: <https://www.oecd.org/economy/eco-outlook/>

Starbucks (2023). Starbucks Vietnam Milestones. Starbucks Available online at: <https://www.starbucks.com.vn/>

U.S. Census Bureau. (2022). US Trade with Vietnam. Census Bureau. Available online at: <https://www.census.gov>

Vietnam Investment Review (2022). Retail Sector Thrives in Vietnam. Vietnam Investment Review. Available online at: <https://www.vir.com.vn/>

Vu, D. (2020). Social networks and business success: A Vietnamese perspective. *Journal of Asia Business Studies*, 14, 575-591

Wang, H., & Hsu, S. (2021). Guanxi and corporate governance Exploring the interconnections in Vietnam. *Journal of Business Ethics*, 165, 233-248.

Wang, Y., Zhang, S., & Lee, L. (2022). Social capital and knowledge sharing: A study in the Vietnamese context. *International Journal of Information Management*, 62, 102429.

World Bank (2022). Vietnam Overview. Available online at: <https://www.worldbank.org/en/country/vietnam/overview>

World Bank. (2023). Vietnams Trade and Economic Transformation. Washington DC World Bank Publications.