

SURVEY REPORT

CURRENT INTEGRITY STATUS IN BUSINESS AND DEMANDS
FOR CORPORATE CAPACITY BUILDING SUPPORT



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Implemented by:
THE OFFICE FOR BUSINESS SUSTAINABLE DEVELOPMENT

PREFACE

Advocating the formation and development of a multi-sector market economy, the Party and the State of Vietnam have recognised and encouraged the equitable development for all economic sectors, including the private sector. In recent times, with the support of the Government and through the increasingly extensive international economic integration, the private sector has made a substantial progress. However, that optimistic development also potentially underlies negative signs, including bribery, corruption and lack of transparency.

Corruption is developing more complicatedly and sophisticatedly and its damage to both the public sector and the private sector is alike. International experience shows that corruption in the private sector is destroying economic operating principles, cultivating illicit business habits, and weakening the competitiveness of businesses in particular and the economy as a whole. From the perspective of international laws, preventing bribery in any form has become a principle, a statutory requirement and a precondition in establishing business contracts and business cooperation agreements. As Vietnam has become a full member of the United Nations Convention against Corruption (UNCAC) and signed the Trans-Pacific Partnership (TPP) and a number of free trade agreement (FTAs), it must put the accent on competition, transparency and good governance practices.

The Vietnam Chamber of Commerce and Industry (VCCI) and OCD Management Consulting Company conduct a survey on “Current Integrity Status in Business and Demands for Corporate Capacity Building Support” in three major cities of Vietnam like Hanoi, Danang and Ho Chi Minh City. The survey portrays an overview picture of integrity practices in business and describes actual demands of enterprises, thus helping design training programmes to meet expectations and support them to enhance competitiveness and take part in global supply chains against the backdrop of international integration.

This survey report also receives financial supports from the ASEAN Corporate Social Responsibility Network (ASEAN CSR Network). Any opinion and/or information in this survey report are based on real survey data and expert opinions of researchers and do not represent the official opinion of VCCI.

VIETNAM CHAMBER OF COMMERCE AND INDUSTRY

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CHAPTER I: INTRODUCTION

1. OBJECTIVES

In the framework of the Project 12 - Enhancing Integrity Initiative in Business, a business-led initiative launched by the Office for Business Sustainable Development (SDforB) under the Vietnam Chamber of Commerce and Industry (VCCI) with the aim of promoting integrity in business through collective actions based on the following operating principles:

- To promote to develop standards and good practices of transparency and integrity in the public sector and private sector;
- To make recommendations to complete policies and legal frameworks towards transparency and integrity in business environment;
- VCCI is well positioned to mobilize and form a coalition of business member organizations (BMOs) committed to implement integrity and transparency in business;
- To encourage businesses to proactively engage with government agencies and civil societies to combat corruption and bribery;
- To provide technical supports to each enterprise to formulate and conduct transparent and integrity business culture internally and with external partners.

In the 2015-2019 period, the Project 12 will underline awareness-raising activities, promote collective actions and support businesses and stakeholders to enhance their integrity and transparency practices, which will provide a foundation for building business integrity and transparency training programmes for the business. A survey is carried out to collect, analyse and assess relevant information to:

- Assess knowledge level of the business in integrity and transparency;
- Determine the performance and competence of the business in implementing policies concerned;
- Assess and identify needs and wants of the business for training-based capacity building support.

2. OBJECTS AND SCOPE

Randomly selected respondents are evaluated, analysed, discussed and carefully selected by specialists in order to determine proper businesses and individual employees invited to participate in the survey to achieve

the desired objectives in a short time with a limited budget. The survey delves into six important industries of the nation, i.e. food and foodstuff processing, leather and footwear, garment and textile, assembling, electric-electronics, and banking.

Scope of the survey research: Given the above-mentioned limitations, this research can not cover a nationwide scope but focuses only selected cities where the development of chosen industries is strong, i.e. Hanoi, Danang and Ho Chi Minh City. Domestic and foreign enterprises are the main respondents of the survey, with foreign-invested enterprises/joint ventures accounting for 10-40% depending on the locality.

Individual interviewees include:

- Legal officers
- Risk management/internal control officers
- Deputy directors/directors, chairpersons of the Board of Directors, human resources managers/deputy managers

3. METHODOLOGY

In this study, the specialist group uses the two following approaches:

✓ Collect and study available materials: The specialist group has collected research reports on integrity and transparency in business and anticorruption, reports and information taken from the official website of the Project 12 - Enhancing Integrity Initiative in Business (www.dean12.org.vn) administered by VCCI (questionnaire contents are uploaded on the website: www.dean12.org.vn).

✓ Questionnaires: Questionnaires are based on the survey objectives and contents defined. In addition, we have reference to some quick self-evaluation questionnaires on the Project 12 website of VCCI. Commonly applied to all respondents, both domestic and foreign companies, questionnaires are used to collect direct information from 300 companies selected for the survey. However, only 180 companies agree to have a direct audience or answer and return the questionnaires without an interview, 43 companies answer but refuse to return the questionnaires, and 77 companies refuse the interview.

4. NUMBER OF COMPANIES SURVEYED

As many as 180 companies have taken part in the survey, including 70 in Hanoi, 40 in Danang and 70 in Ho Chi Minh City. The following table is the breakdown of samples distributed, industry-specific companies, and forms of ownership - domestic or foreign.

Table 1. Survey form distribution

Main business	Hanoi			Danang			Ho Chi Minh City		
	Domestic companies	Foreign companies/joint venture	Total	Domestic companies	Foreign companies/joint venture	Total	Domestic companies	Foreign companies/joint venture	Total
Food and foodstuff processing industry	9	3	12	7	2	9	8	1	9
Leather and footwear industry	6	1	7	5	1	6	1	3	4
Garment and textile industry	13	2	15	5	1	6	6	4	10
Assembling industry	10	2	12	6	2	8	12	1	13
Electric-electronics industry	12	3	15	5	3	8	12	0	12
Banking industry	3	4	7	0	0	0	2	0	2
Others	0	2	2	2	1	3	15	5	20
Total	53	17	70	30	10	40	56	14	70

5. SURVEY SCHEDULE

The survey is carried out in September and October 2015.

6. BASIC COMPANY INFORMATION IN THE SURVEY

Companies in the survey differ in company types, labour sizes and scopes of business. The following is brief information on companies surveyed:

Information on company types, labour sizes and operating times

The Table 2 below shows the structure of companies by company type, company type group - domestic companies and foreign companies/joint ventures, labour size and operating time.

Table2. Company structure by type, labour size and operating time

Criteria for company categorisation		Number of companies	Rate (%)
Company type	Wholly State-owned companies	4	2.22
	Partially State-owned companies	7	3.89
	Wholly privately held companies	21	11.67
	Foreign-owned companies	36	20.00
	Joint ventures	5	2.78
	Joint stock companies	40	22.22
	Cooperatives	2	1.11

	Limited liability companies	65	36.11
	Total	180	100.00
Company type group	Domestic companies	139	77.22
	Foreign companies, joint ventures	41	22.78
	Total	180	100.00
Labour size	Below 10	15	8.33
	From 10 to 50	61	33.89
	From 51 to 100	41	22.78
	From 101 to 200	22	12.22
	From 201 to 500	16	8.89
	From 501 to 1,000	13	7.22
	From 1,001 to 3,000	1	0.56
	From 3,001 to 5,000	6	3.33
	Over 5,000	3	1.67
	No answer	2	1.11
	Total	180	100.00
Operating time	Below 5 years	31	17.22
	From 6 to 10 years	69	38.33
	From 11 to 15 years	42	23.33
	From 16 to 20 years	17	9.44
	From 21 to 30 years	9	5.00
	From 31 yearsonwards	8	4.44
	No answer	4	2.22
		Total	180

Among 180 companies surveyed, up to 72.22% are domestic; limited liability companies account for more than a third (36.11%); 33.89% have 10-50 employees and 22.78% have 51-100 employees; and a majority have an operating time of 6-15 years (61.66%). These features are more or less related to the practice of integrity in business.

As many as 176 companies provide information on their operating years. The following figure presents the number of years of operation between domestic companies and foreign companies/joint ventures.

It is clear that companies with over 30 years of operation in the survey are only domestic companies while foreign companies and joint ventures outnumber in the 16-20 years category.

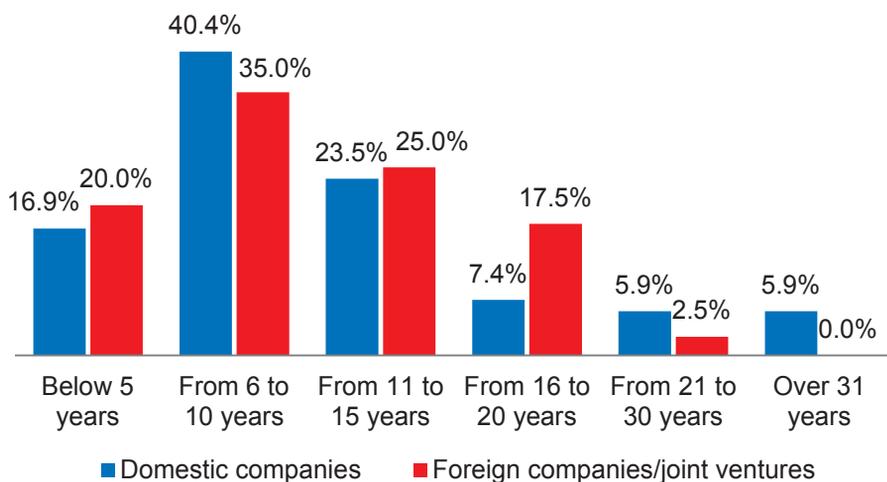


Figure 1. Operating time of domestic and foreign companies

Information on scopes of business and key partners in supply chains of companies

Scope of business		Number of companies	Rate (%)
Scope of main business	Food and foodstuff processing	30	16.67
	Leather and footwear	17	9.44
	Garment and textile	31	17.22
	Assembling	33	18.33
	Electric - electronics	35	19.44
	Banking	9	5.00
	Others	25	13.89
	Total	180	100.00
Number of business fields	One field	156	86.67
	Two fields	22	12.22
	Three fields	2	1.11
	Total	180	100.00
Main partners in supply chains	Wholly State-owned companies	65	36.31
	Partially State-owned companies	56	31.28
	Wholly privately held companies	132	73.74
	Foreign companies	69	38.55
	Joint ventures	45	25.14
	Others	8	4.47

Table 3. Company structure by scope of business and key partners

In general, ratios of companies surveyed are quite similar, except for banks with a lower rate (5%). Only 22 companies surveyed are operating in the two sectors (12.22%) and only two companies are engaged in three sectors (1.11%). These samples can represent the survey and conclusions drawn hereof have scientific foundations.

Each company has one or more key partners in its supply chain. Up to 73.74% of respondents say their key partners are wholly privately held companies, followed by foreign companies (38.55%) and wholly State-owned companies (36.31%). The following figure portrays the difference in selecting key partners by domestic and foreign businesses.

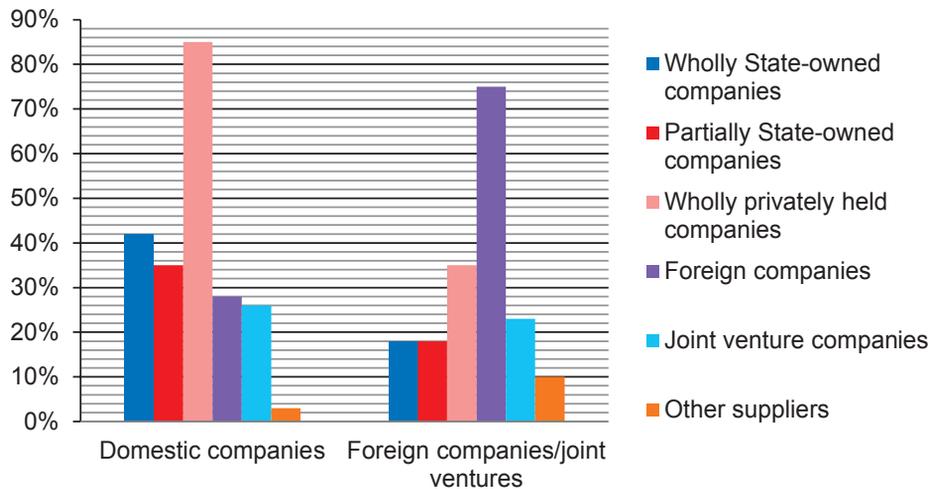
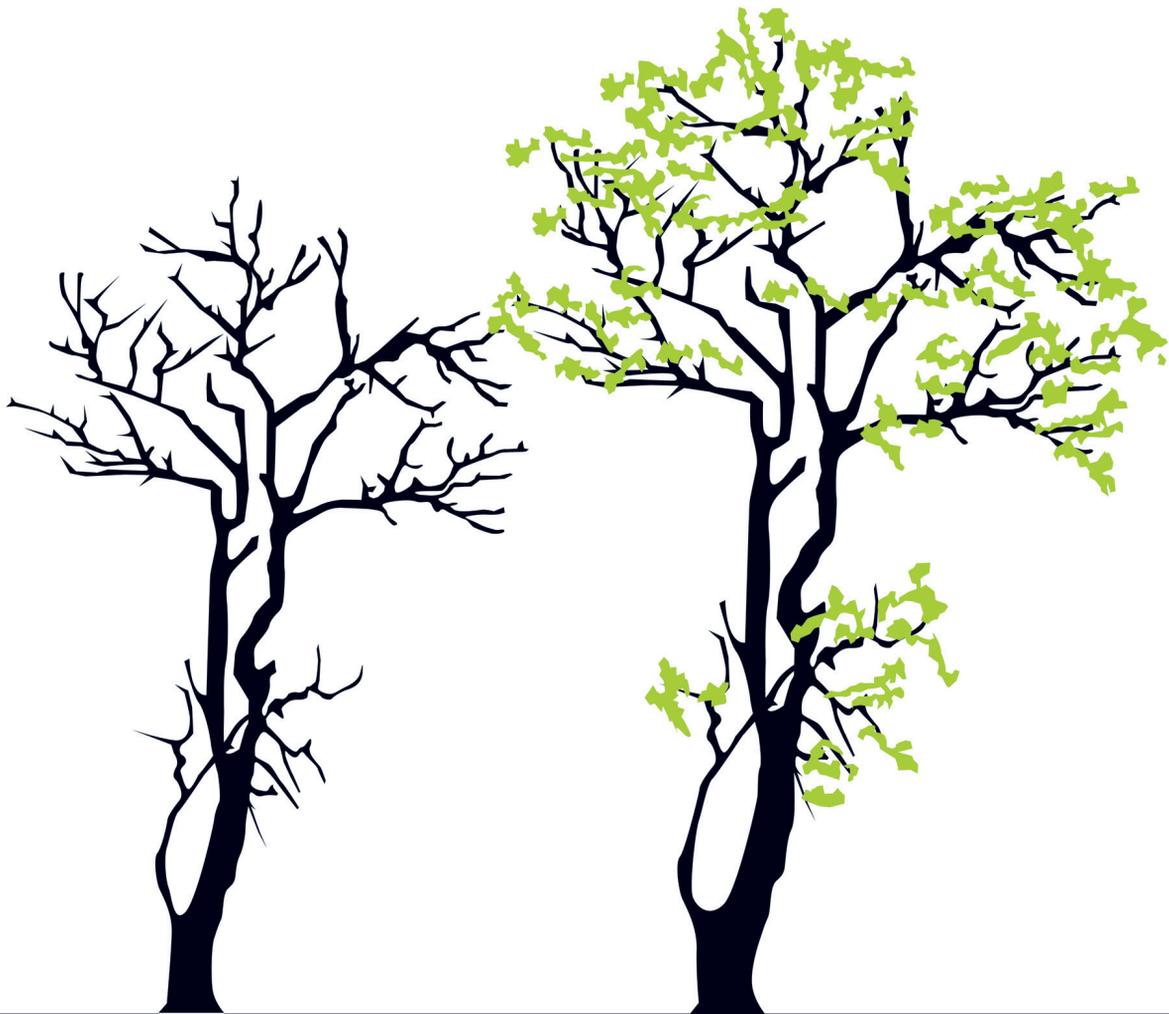


Figure 2. Supply partners of domestic and foreign companies

The Figure 2 shows the difference between the two groups of company types in selecting main partners for its supply chains: Nearly 85% of domestic companies choose wholly privately held companies as their supply partners whereas only 35% of foreign companies/joint ventures prefer this option. However, 75% of foreign companies/joint ventures choose foreign companies as their partners while only 28% of domestic companies make this choice. Wholly State-owned companies are not a preferred choice for foreign companies (18%) and only 42% of domestic companies choose them.



Hãy tưới
CÂY CỦA CHÚNG TA
bằng dòng nước
TRONG SẠCH
Let's water
OUR TREE
in a
FAIR WAY



CHAPTER II: CURRENT INTEGRITY PRACTICES IN BUSINESS

1. ASSESSMENT ON UNDERSTANDING OF INTEGRITY AND TRANSPARENCY IN BUSINESS

1.1. Integrity in business

Perception and understanding of integrity in business

Up to 98.33% of respondents agree on the understanding that integrity in business is “Individuals and companies behave towards business operations in conformity with rules and standards generally accepted in commercial practices or legislated into laws to effectively prevent corruption.” The following table displays the understanding of integrity in business.

Table 4. Answers on understanding of integrity in business

<i>Opinion</i>	<i>Number of companies</i>	<i>Ratio of answers(%)</i>	<i>Ratio of answers(%)</i>
No	1	0.56	0.56
Yes	177	98.33	99.44
No idea	2	1.11	
Total	180	100.00	100.00

This is a Yes/No question with a relatively clear meaning. And, if two companies that refuse to reply are excluded, 99.44% of companies say “Yes” to the notion and only one company - a foreign food processor - says “No.”

But when asked about the characteristics of integrity in business with a multiple degrees of difficulty, the survey results, illustrated in the table below, show that the understanding of companies is not high.

Table 5. Answers to characteristics of integrity in business

<i>Characteristics of integrity in business</i>	<i>Number of companies</i>	<i>Ratio (%)</i>
Tied to ethical norms and the law	40	22.47
Tied to compliance requirements for common rules and ethical standards imposed to both individuals and stakeholders in business	40	22.47
Both of the above options	98	55.06
Total	178	100.00

Among 178 respondents, only 55% agree on the correct understanding of integrity in business, which consists of both characteristics: “Tied to ethical norms and the law” and “Tied to compliance requirements for common rules and ethical standards imposed to both individuals and stakeholders in business.” Only 40 companies (22.47%) agree on the first characteristics and a similar number of companies go for the second characteristics.

However, different types of companies have different views, specifically shown in the following figure.

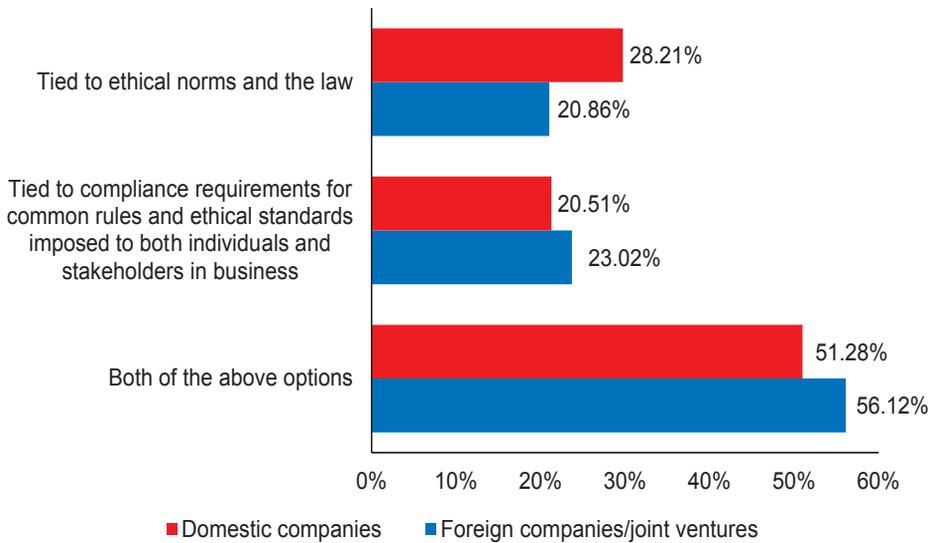


Figure3. Answers to characteristics of integrity in business by company type

The Figure 3 shows that more than 50% of both domestic and foreign companies give consent to the viewpoint that integrity is constituted by both characteristics but the ratio of domestic companies with this option is higher (remarkably, all of wholly State-owned companies concur with this point of view).

Besides, many foreign companies and joint venture companies (28.21%) think that characteristics of integrity that only “Tied to ethical norms and the law” while only 20.86% of domestic companies side with this view.

The above remarks illustrate distinct differences between domestic and foreign countries in perception of integrity in business. Support and training are essential to fill the gap.

1.2. Transparency in business

Most of respondents agree on the notions that “Transparency in business is the disclosure and provision of information or explanation and clarification of business activities in general and of company in particular according to its regulations or the law” and “Code of Conduct (CoC) is a voluntary commitment created by companies themselves, associations and unions to set standards and principles for business behaviours.” The following table displays the understanding of transparency in business.

Table 6. Answers to transparency in business and CoC

<i>Opinions</i>		<i>Number of companies</i>	<i>Ratio of answers (%)</i>	<i>Ratio of companies responded (%)</i>
Transparency in business	Yes	168	93.33	94.38
	No	10	5.56	5.62
	No idea	2	1.11	
	Total	180	100.00	100.00
CoC	Yes	167	92.78	93.82
	No	11	6.11	6.18
	No idea	2	1.11	
	Total	180	100.00	100.00

The above table shows that 93.33% of companies surveyed and 94.38% of respondents agree on the view on transparency in business. Respectively, 92.78% and 93.82% concur with the view on CoC. It is quite clear that they have a high consensus on transparency in business.

The degree of consensus on the views transparency in business and the Code of Conduct is fairly similar. However, the degree of consensus of companies is different from industry to industry, specifically reflected in the following figure:

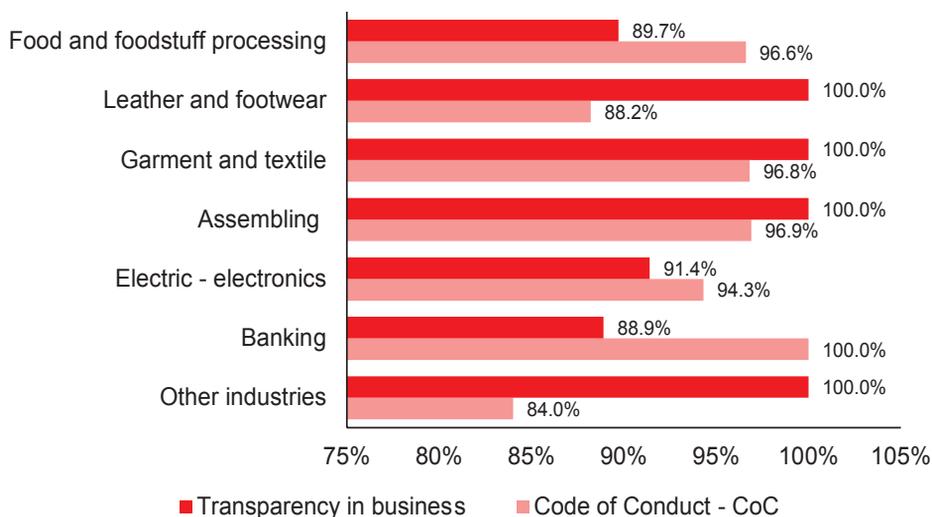


Figure 4. Opinions of companies, categorised by industry, on transparency in business

The figure shows that all companies engaged in leather and footwear, assembling and other industries absolutely go for the viewpoint on transparency in business but they do not completely concur with the view on the Code of Conduct (84% in other industries, 88.2% in leather and footwear industry). On the contrary, companies in banking and food and foodstuff processing industries have a high agreement on the view of the code of conduct (100% and 96.6%, respectively) but they do not completely share the view on transparency in business (below 90%).

1.3. Understanding of transparency and competition requirements in FTA

Companies' knowledge of transparency and competition requirements in the framework of free trade agreements (FTAs) that Vietnam is going to sign is illustrated in the following table:

Table 7. Understanding of companies in transparency requirements in FTA

<i>Opinion</i>	<i>Number of companies</i>	<i>Ratio of companies (%)</i>	<i>Ratio of companies responded(%)</i>
Known or heard	97	53.9	55.4
Unknown	78	43.3	44.6
Unanswered	5	2.8	
Total	180	100.0	100.0

Only 53.9% of companies surveyed or 55.4% of companies responded say they have known or heard of transparency and competition requirements in the framework of free trade agreements (FTAs). Unanswered companies may not have known or disinterested in this matter.

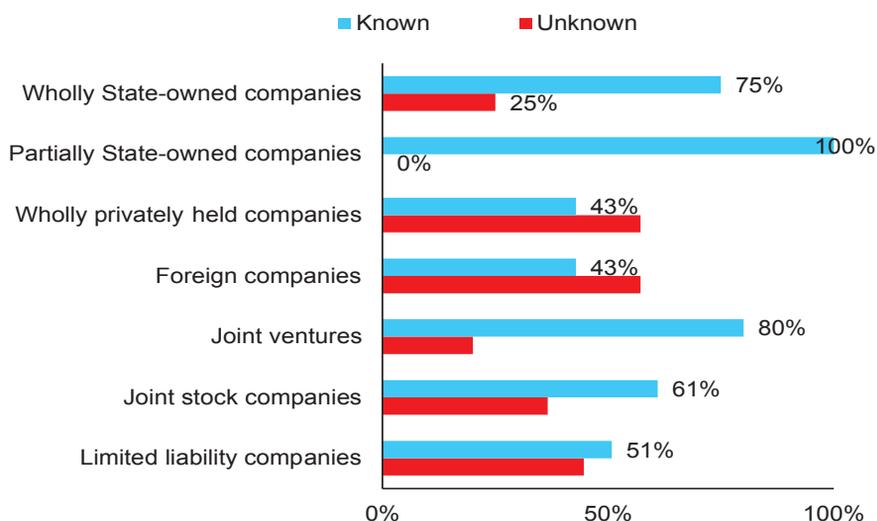


Figure 5. Companies' perception of transparency competition requirements in the framework of free trade agreements

Survey data show that the percentage rate of State-owned companies aware of transparency and competition requirements in the framework of free trade agreements is higher than that of private companies. High rates of wholly privately held companies of Vietnam and foreign companies are unaware of transparency and competition requirements in the framework of free trade agreements (FTAs).

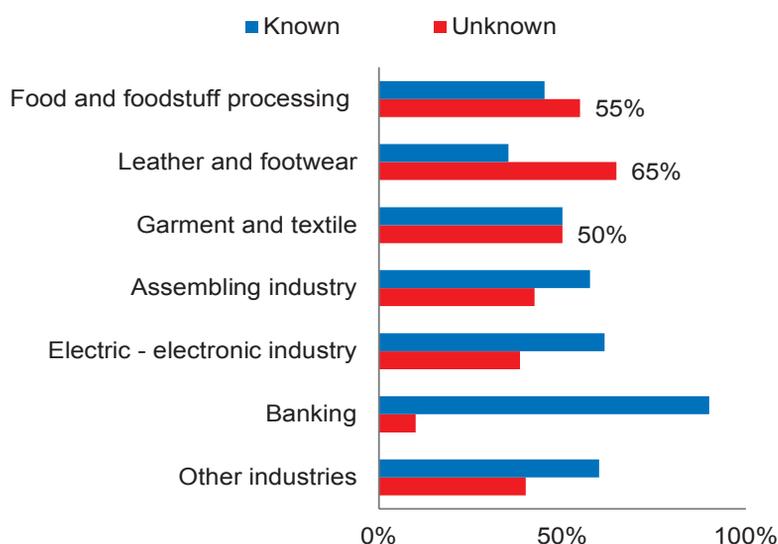


Figure 6. Perception of transparency and competition requirements in the framework of free trade agreements, categorised by industry

The ratio of companies in the banking and electric - electronics industries aware of transparency and competition requirements in the framework of the free trade agreements is higher than other industries. While food and foodstuff processing, leather and footwear and garment and textile industries will be most affected when Vietnam signs Trans-Pacific Partnership (TPP) and free trade agreements (FTAs), the ratio of companies in these industries unaware of transparency and competition requirements in the framework of free trade agreements is surprisingly high (over 50%).

Therefore, it is necessary to have effective programmes to inform companies of transparency and competition requirements and the importance of integrity and transparency in business in enhancing corporate competitiveness, especially when Vietnam signs the Trans-Pacific Partnership (TPP) and free trade agreements (FTAs).

2. ASSESSMENT OF POLICY ENFORCEMENT IN BUSINESS

2.1. Current deployment of internal fraud control measures

Regarding measures to control, prevent, detect and respond to internal frauds, opinions of companies surveyed are expressed in the following figure.

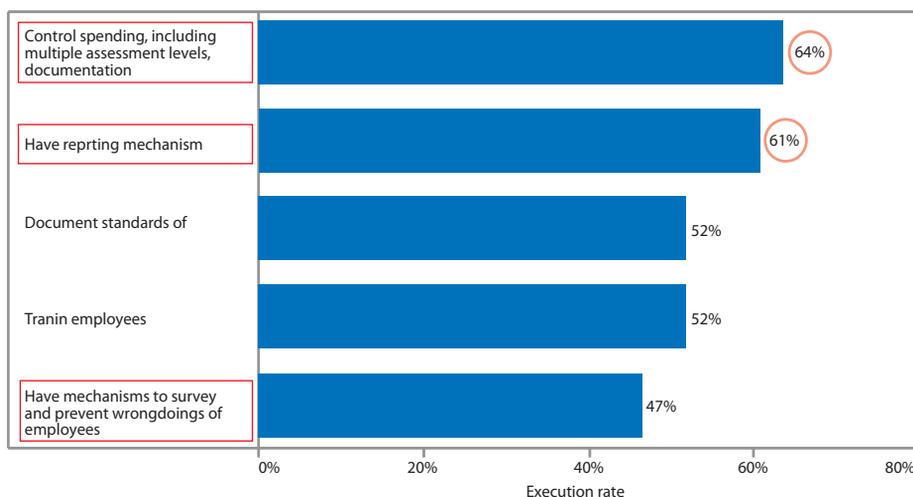


Figure 7. Internal fraud control measures

Survey results show that companies are presently focusing on exposure and settlement rather than concentrate on measures to nib misconducts in business in the bud.

Regarding the five above-mentioned measures, over 60% of companies have applied measures to the options “Control spending, including multiple assessment levels, limit spending and require documentation” and “Have reporting mechanism” in a bid to discover and restrict internal frauds.

In spite of great influences on employee behaviours to integrity and transparency in business, such measures as documenting standards of behaviour and training employees are met by only 50% of companies.

Internal fraud control measures by company type

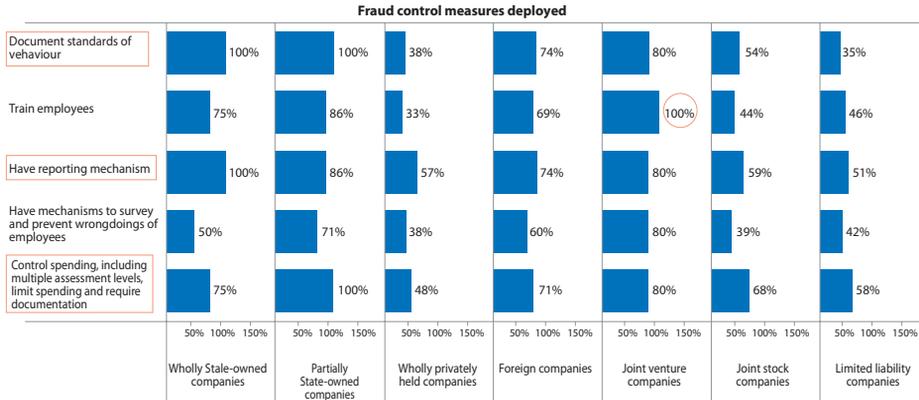


Figure 8. Internal fraud control measures by company type

When business types are taken into account, State-owned companies and foreign companies pay more attention to measures created to control, prevent, unearth and respond to internal frauds. Wholly privately held companies have lower rates of measure deployment, ranging from 33% to 57%, depending on measures, with the highest being the content “Have reporting mechanism”(57%).

Private companies are the majority in the economy, engage in almost all economic sectors, and account for a big share of the economy. Therefore, in carrying out training programmes for enhancing transparency and integrity in business, the specialist group recommends more support for wholly privately held Vietnamese companies.

Internal fraud control measures by industry

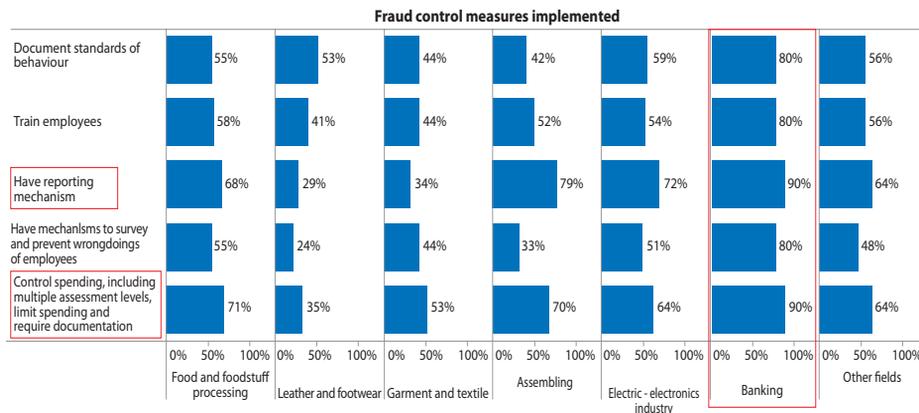


Figure 9. Internal fraud control measures by industry

By industry, banking has the highest rate of deployment, with most measures exceeding 80%. This rate perhaps illustrates banking characteristics, i.e., daily financial transactions and broad employee involvement.

Other sectors such as food and foodstuff processing, assembling, and electric - electronics industries have the average implementation rate of approximately 60% and garment and textile and leather and footwear sectors have the lowest rate of deploying internal fraud control measures (below 50%).

However, garment and textile, leather and footwear and food and foodstuff processing are big exporters of Vietnam and are forecast to be considerably impacted by international trade agreements like TPP and FTAs on integrity and transparency conditions in business. Therefore, training programmes need to focus more on companies in these industries.

2.2. Current deployment of supplier fraud control measures

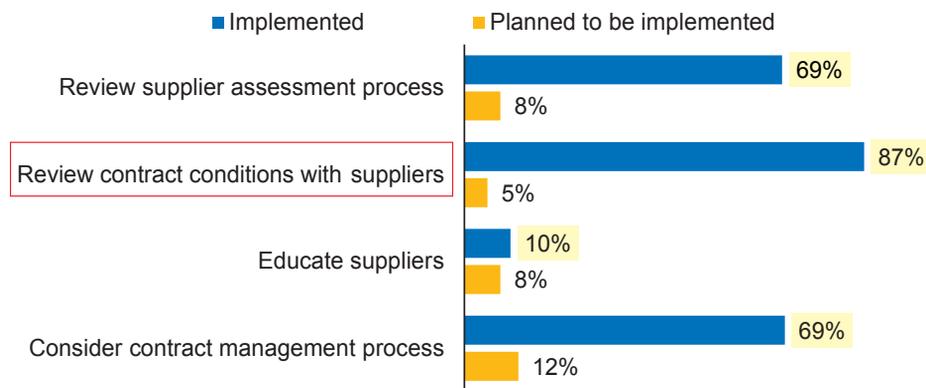


Figure 10. Supplier fraud control measures

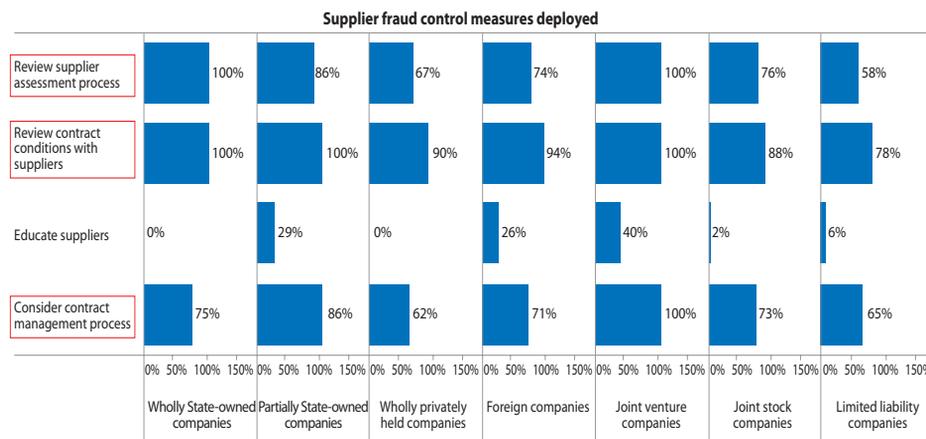


Figure 11. Supplier fraud control measures by company type

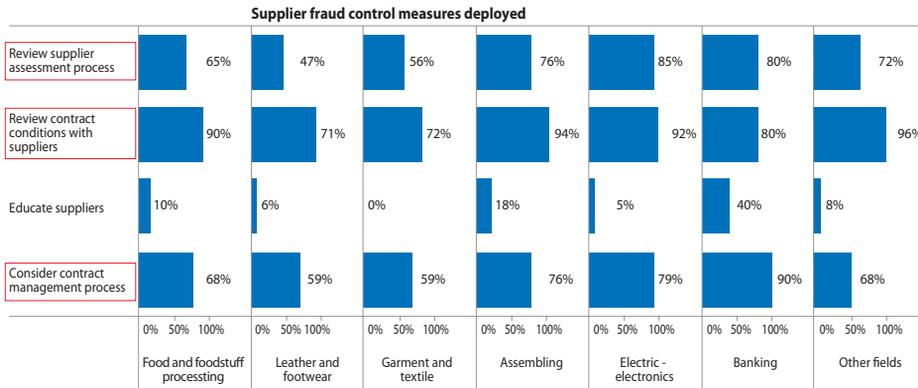


Figure 12. Supplier fraud control measures by industry

Supplier management measures relating to the review of suppliers and contracts are widely carried out by companies. They particularly underline the measure of review contract conditions with suppliers. However, educating suppliers is not widely used to control, prevent, reveal and respond to frauds of suppliers.

Thus, it is noted that companies surveyed mainly base on legal frameworks to control suppliers rather than train them. For that reason, in its business integrity and transparency training and enhancement programmes, VCCI should introduce programmes to raise awareness of the business community in doing business with integrity and transparency and responsible business.

2.3. Current construction of regulations, policies and procedures on business with integrity and transparency

Current construction of regulations, policies and procedures on business with integrity and transparency



Figure 13. Current construction and deployment of regulations, policies and procedures on business with integrity and transparency

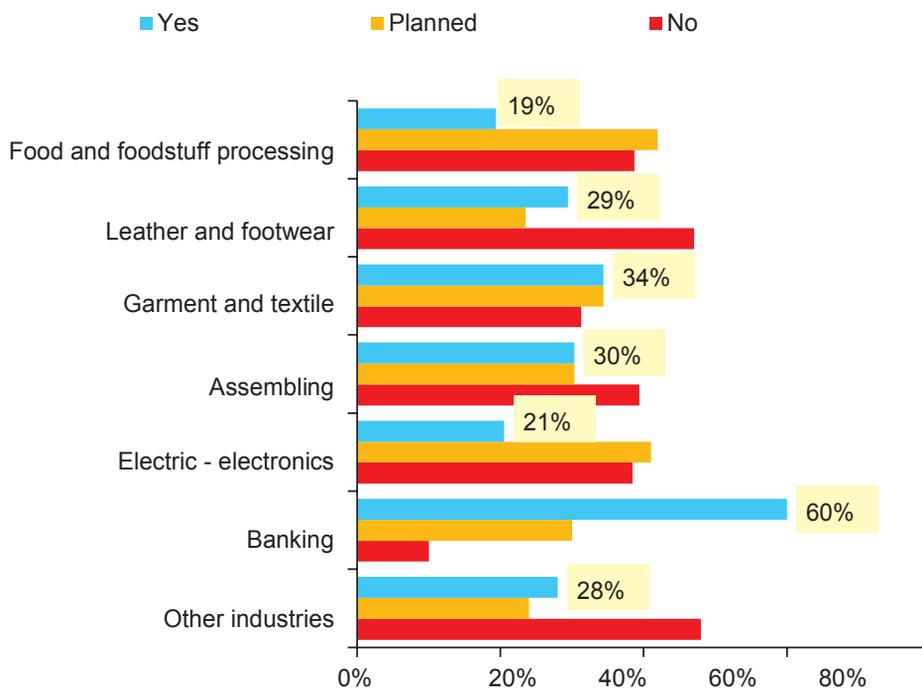


Figure 14. Current construction and deployment of regulations, policies and procedures on integrity and transparency in business, categorised by industry

Data show that only 29% of companies surveyed have implemented regulations, policies and procedures on business with integrity and transparency. Hence, when Vietnam has become a member of the United Nations Convention against Corruption and signed the Trans-Pacific Partnership (TPP) and free trade agreements (FTAs), the rate of companies that have developed regulations, policies and procedures on integrity and transparency in business is low.

Therefore, the specialist group of this report recommends introducing regulations and policies on promotion of integrity in business to enhance competitiveness and pursue sustainable development of enterprises, especially in international transactions subject to trade agreement terms when VCCI implements its training and capacity building programmes. In this aspect, the banking sector has done better than other sectors like garment and textile, leather and footwear, food and foodstuff processing, assembling, and electric - electronics industries.

Current enforcement of regulations on business

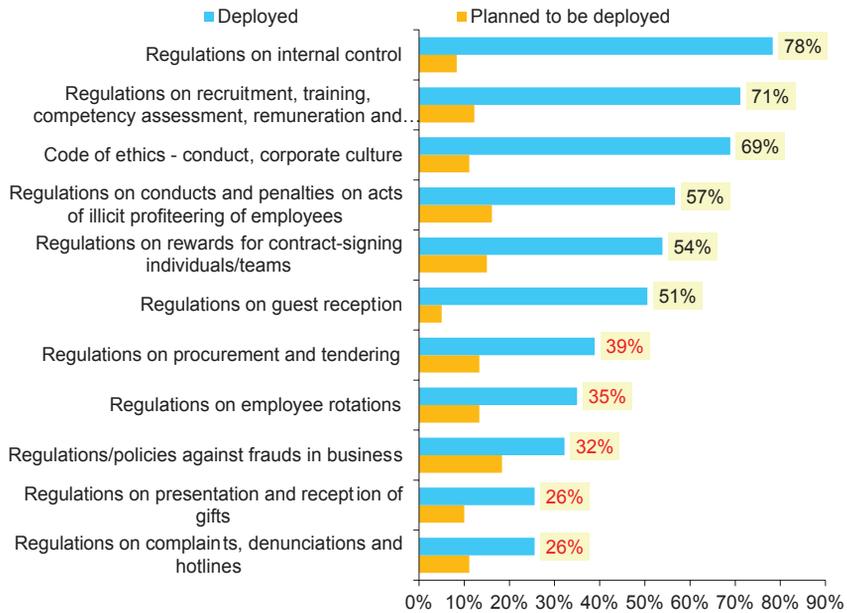


Figure 15. Current enforcement of regulations on business

The Figure 15 shows that more than 50% of companies surveyed have focused on implementing regulations on internal control, recruitment, training, competency assessment, remuneration, promotion, treatment and guest entertainment.

Other policies such as procurement-tender, staff rotation, fraudulence in business, gift presentation and reception, complaint and denunciation are out of focus by many companies. VCCI can take this content into consideration to support companies in its programmes of training and enhancing capacity in integrity and transparency in business.

Status of information and implementation of regulations, policies and procedures

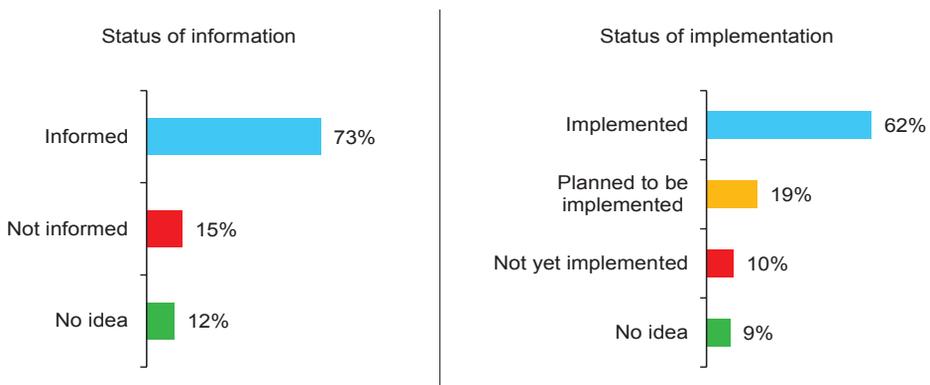


Figure 16. Status of information and implementation of regulations, policies and procedures at companies

With respect to rules, policies and procedures in place, 73% of companies surveyed say that they have informed their employees and 62% have brought them into practice.

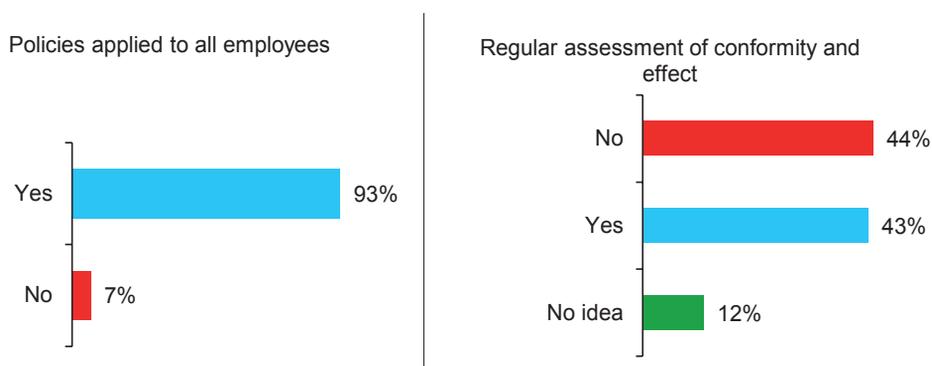


Figure 17. Status of application of regulations, policies and procedures at companies

Over 90% of respondents say that regulations, policies and procedures are applicable to all employees. However, 44% of respondents do not make regular assessments of implementation and effectiveness of regulations, policies, procedures, and 12% of remaining respondents say that they have no idea.

It is noted that a high ratio of companies in the survey do not perform periodic assessments. Training programmes can consider adding such contents as supervision and assessment of regulations and procedures in general and business integrity and transparency in particular.

Results of implementation of regulations, policies and procedures on business integrity and transparency of companies

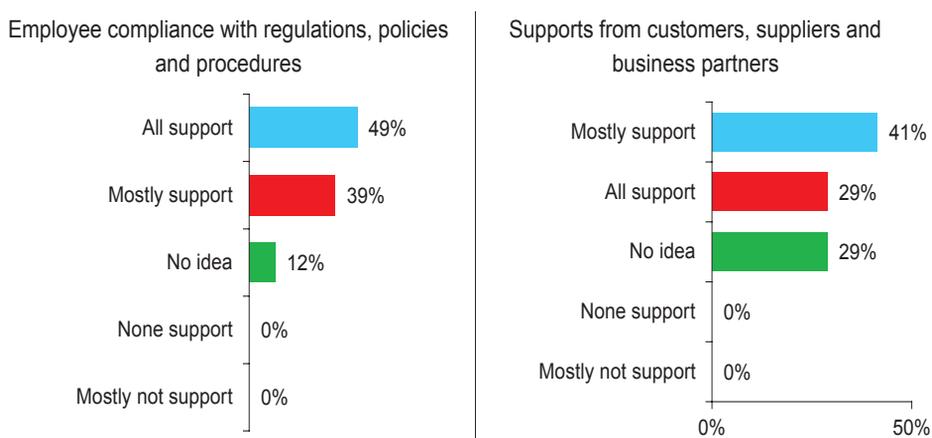


Figure 18. Degree of support of employees and business partners to policies on business with integrity and transparency

In case companies have implemented regulations, policies and procedures on integrity and transparency in business, a vast majority answer that all or almost all employees and partners, customers and suppliers highly support, accounting for 70% or more.

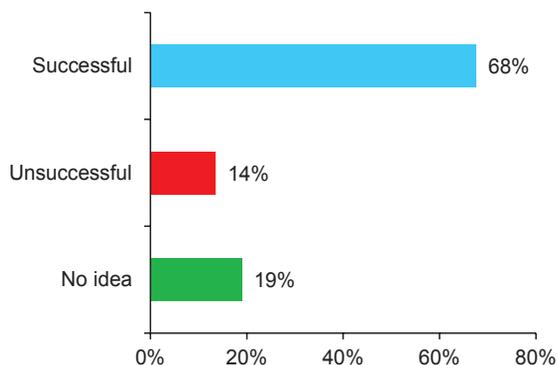


Figure 19. Degree of success in policies and regulations on business with integrity and transparency

Data show that 68% of companies are successful when they carry out regulations and policies on business with integrity and transparency while the rest do not successfully carry out or do not have any idea.

Respondents show that what makes them successful in carrying out regulations and policies on integrity and transparency in business, including:

- Regulations and policies are clearly defined.
- Employees perceptively and ethically abide by all regulations and policies.
- Employees fully abide by all regulations and policies of the company.
- Executives create a favourable working environment for employees.
- All policies are made public and informed to all employees.
- Superiors always check, oversee, supervise and press on the enforcement of regulations and policies.
- Leadership shows the spirit of impartiality and integrity in executive work.

Besides, some respondents admit that they are not successful in carrying out regulations and policies on integrity and transparency in business because of following difficulties:

- Not be able to completely control all operating regulations of the business.
- Not have enough personnel for drastic implementation.

- Not communicate on policies on business with integrity and transparency in the company.

3. COMPARISON OF CURRENT INTEGRITY AND TRANSPARENCY PRACTICES BETWEEN DOMESTIC AND FOREIGN COMPANIES IN VIETNAM

To identify audience for our training programme, we have conducted a comparative analysis of integrity and transparency practices in business between domestic companies and foreign companies, based on implementation situations, implementation results and causes of success or failure:

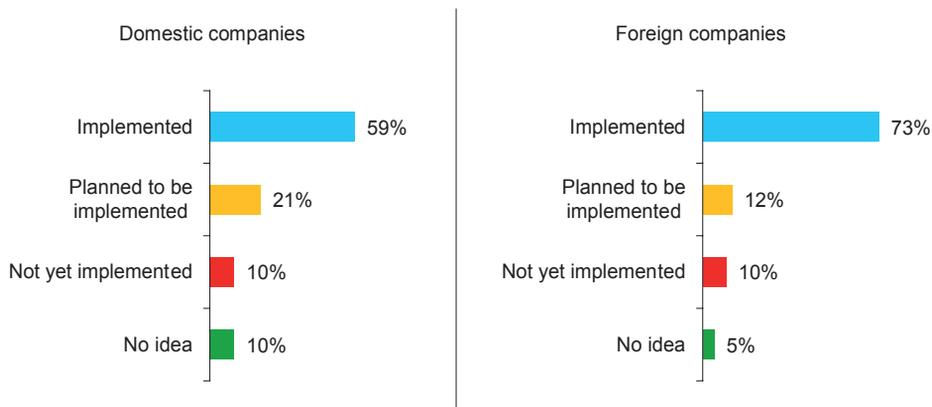


Figure 20. Comparison of current implementation of policies and regulations on integrity and transparency in business

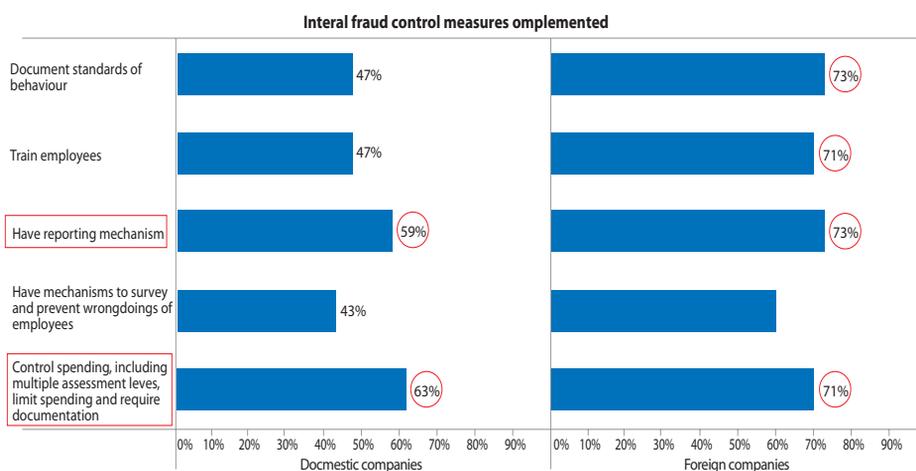


Figure 21. Comparison of current implementation of measures to control, prevent, detect and respond to internal frauds



Figure 22. Comparison of current implementation of measures to control, prevent, detect and respond to supplier-related frauds

The above figures show that the ratio of foreign companies carrying out regulations and procedures on integrity and transparency in business is clearly higher than that of domestic companies. And, internal fraud control measures and supplier-related fraud control measures are more consistently implemented by foreign companies, including employee education content and supplier training content which are made light by domestic companies.

Comparison implementation results of regulations and policies on integrity and transparency in business

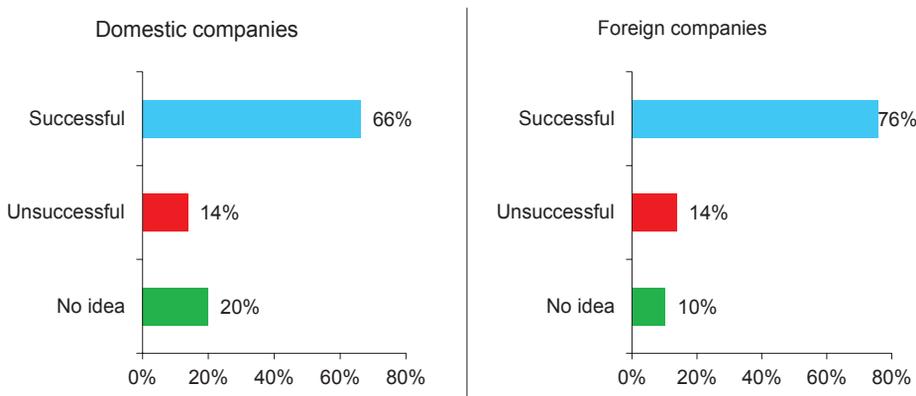


Figure 23. Comparison of results of business integrity and transparency programme between domestic and foreign companies

Survey data show that a relatively high ratio of companies (over 65%) is successful in carrying out regulations and policies on integrity and transparency in business. The successful rates of foreign companies are higher than domestic companies. Factors attributed to successes and failures in business integrity and transparency programmes in domestic and foreign companies are presented in the following table.

Table 8. Summary of reasons for success and reasons for failure in implementing business integrity and transparency programme

Domestic companies	Foreign companies
Reasons for success	Reasons for success
<ul style="list-style-type: none"> - The support of the highest leadership of the company and its members: Commitment and resolve; - Superiors always examine, monitor and supervise the carrying out of corporate regulations and policies; - Executives create a favourable working environment for employees; - Employees have a high sense of awareness and compliance; - All policies are made public and informed to every employee; - Working discipline and progress are upheld; - Not following the crowd. 	<ul style="list-style-type: none"> - Superiors always check, monitor, supervise and press on the carrying out of corporate regulations and policies; - Policies are made informed to all employees to help them understand the importance of such policies; - Leadership shows the spirit of impartiality and integrity in executive work; - Setting high standards of integrity and compliance strictly applicable to all employees in all nations; - Using a systematic approach, designed to promote a culture of integrity and compliance; - Strengthening leadership and accountability in business, supported by tools and processes, coupled with a policy that will not let any violation occur; - Constantly raising requirements for integrity standards; - Integrity and compliance must be catalysed by the business. Integrity and compliance is a regular mandatory task in every inspection and review and is an important part in performance quality at every business unit; - Division managers and financial controllers of the company are required to regularly review and report on integrity and compliance at their divisions.
Reasons for failure	Reasons for failure
<ul style="list-style-type: none"> - Not be able to completely control all operating regulations of the company; - Not have enough personnel for drastic implementation; - Not regularly communicate on and train in policies on integrity and transparency in business in the company; - Meet with difficulty in core business valuation; - Confront reactions to a written mandatory document. 	<ul style="list-style-type: none"> - No idea.

The above feedbacks show that some big differences of foreign companies from domestic companies lead them to success like building clear policies and procedures, training and informing all employees, conducting regular assessments, and placing executives at the forefront of implementation. And, domestic companies primarily base on the self-consciousness and morality of employees in deploying business integrity and transparency programme while they do not have sufficient resources, do not fully inform their employees and effectively control policies and regulations issued.

For that reason, in the coming time, the programme should consider studying on models and methods of foreign companies in Vietnam in exercising integrity and transparency in business to learn their experience and knowledge for developing training and capacity building programmes for domestic companies in a bid to gradually improve the business environment of Vietnam.

4. COMMON DIFFICULTIES OF COMPANIES IN WORKING WITH AUTHORITIES LIKE TAX AGENTS, CUSTOMS AGENTS AND BANKS

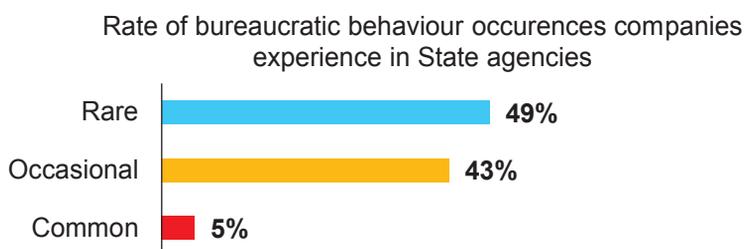


Figure 24. Rate of bureaucratic behaviour occurrences companies experience in State agencies

The ratio of companies occasionally enduring officious behaviours at State agencies (e.g. tax and customs authorities) is quite high, 43%.

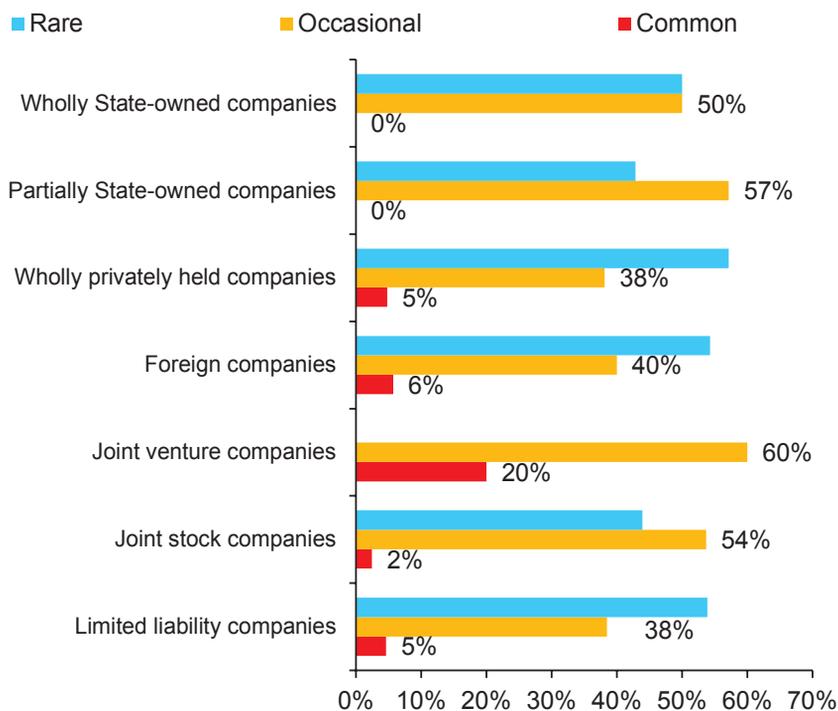


Figure 25. Rate of bureaucratic behaviour occurrences companies experience in State agencies, categorised by company type

State-owned companies and private companies have experienced a similar frequency of coming across bureaucratic behaviours and interfering acts when they work with State agencies. Up to 60% of joint venture companies, the highest rate, admit that they occasionally meet intrusive acts when they work with State agencies like tax and customs bodies.

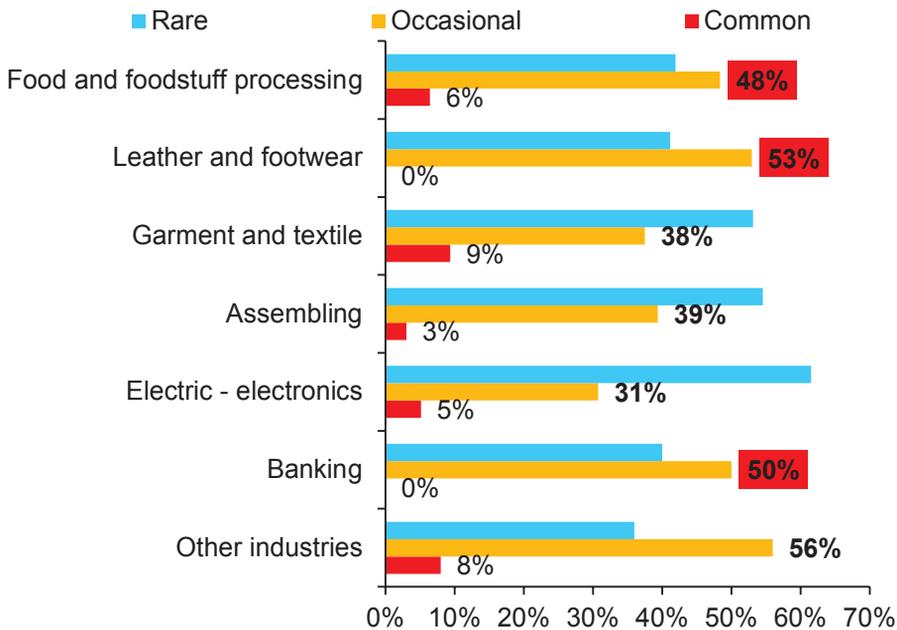


Figure 26. Rate of bureaucratic behaviour occurrences companies experience in State agencies, categorised by industry

Leather and footwear, banking and food and foodstuff processing industries report to have the highest frequency of coming across bureaucratic acts at State agencies. According to survey results, the banking industry experiences a high frequency of interfering acts when they work with State agencies and this industry also pays attention to building and applying regulations, policies and measures to control, detect and prevent internal frauds and supplier-related frauds. On contrary, leather and footwear, and food and foodstuff processing industries take no notice of building regulations and policies on integrity and transparency in business.

According to survey results, high rates of companies across all industries surveyed commonly and occasionally encounter interfering acts at State agencies (mostly over 40%). This is a big challenge. Thus, the specialist group recommends supplementing the programme with methods to deal with such situations caused by government employees in a suitable and effective manner.

CHAPTER III: DETERMINING COMPANIES' NEEDS FOR CAPACITY BUILDING SUPPORT FOR PRACTICING INTEGRITY IN BUSINESS

1. IDENTIFYING COMPANIES' NEEDS FOR TRAINING AND CAPACITY BUILDING SUPPORT

Training needs for building policies and procedures on integrity and transparency in business

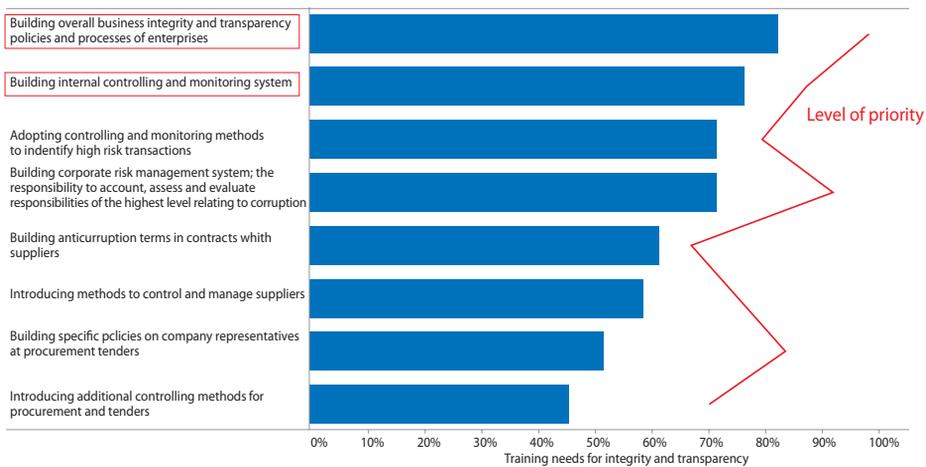


Figure 27. Training demands for building policies and procedures on integrity and transparency in business

According to survey results, companies surveyed have high training needs for the following contents.

- Building overall business integrity and transparency policies and processes of enterprises;
- Building internal controlling and monitoring system;
- Building corporate risk management system; the responsibility to account, assess and evaluate responsibilities of the highest level relating to corruption;
- Adopting controlling and monitoring methods to identify high-risk transactions;

However, for the time being, companies want to be trained in the following contents:

- Building overall business integrity and transparency policies and processes of enterprises;
- Building internal controlling and monitoring system;
- Building corporate risk management system; the responsibility to account, assess and evaluate responsibilities of the highest level relating to corruption;
- Building specific policies on company representatives at procurement tenders.

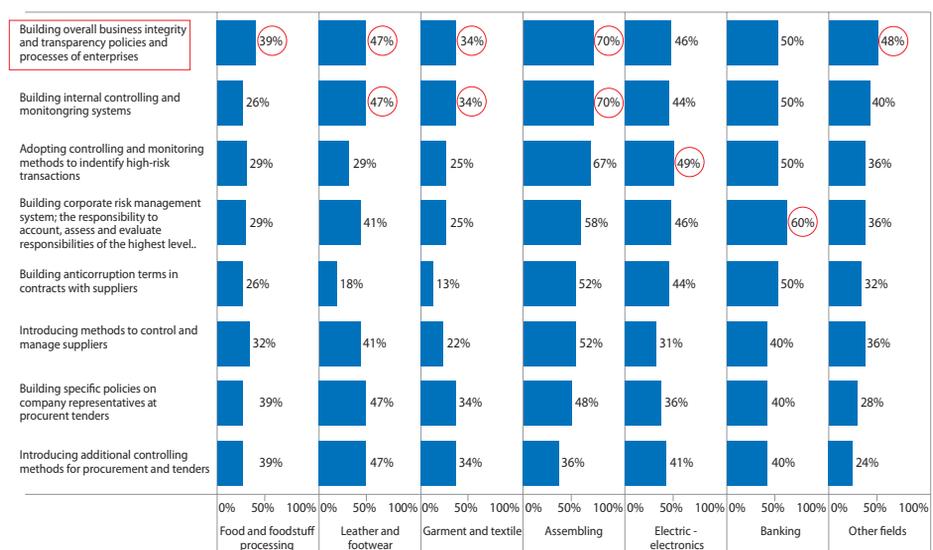


Figure 28. Training demands for building policies and procedures on integrity and transparency in business, categorised by industry

Most companies across all the industries want to have the following contents trained:

- Building overall business integrity and transparency policies and processes of enterprises;
- Building internal controlling and monitoring system.

Besides, companies in the banking industry pay attention to the content “Building corporate risk management system; the responsibility to account, assess and evaluate responsibilities of the highest level relating to corruption”.

Companies in the electric - electronics industry particularly attend to the content “Adopting controlling and monitoring methods to identify high-risk transactions.”

Companies in the food and foodstuff processing, leather and footwear and electric - electronics industries express their interest in the content “Building specific policies on company representatives at procurement tenders.”

Training demands for integrity and transparency practices in business

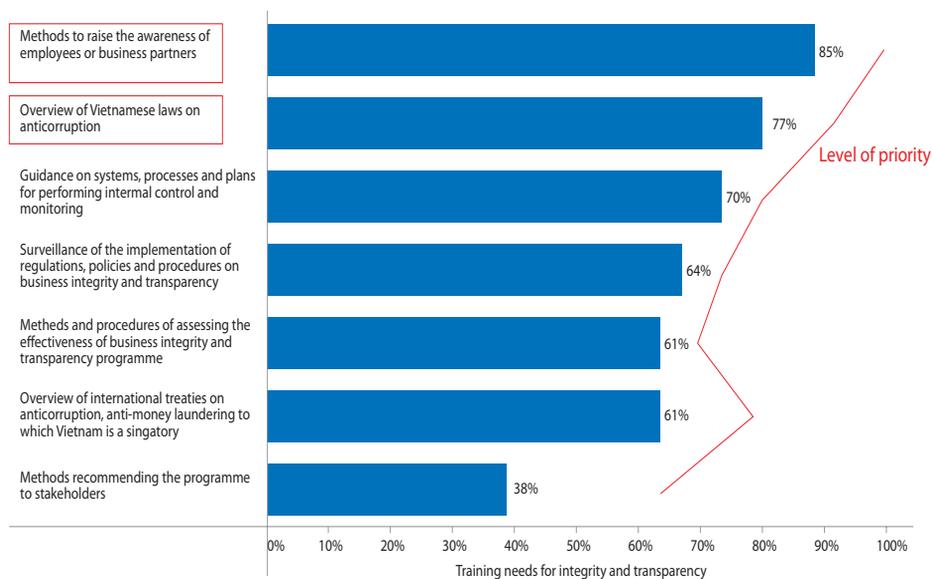


Figure 29. Demand for training support for integrity and transparency practices in business

Regarding concerns to training support for business integrity and transparency, companies want to be trained in the following areas:

- Methods to raise the awareness of employees or business partners;
- Overview of Vietnamese laws on anticorruption;
- Guidance on systems, processes and plans for performing internal control and supervision;
- Surveillance of the implementation of regulations, policies and procedures on business integrity and transparency.

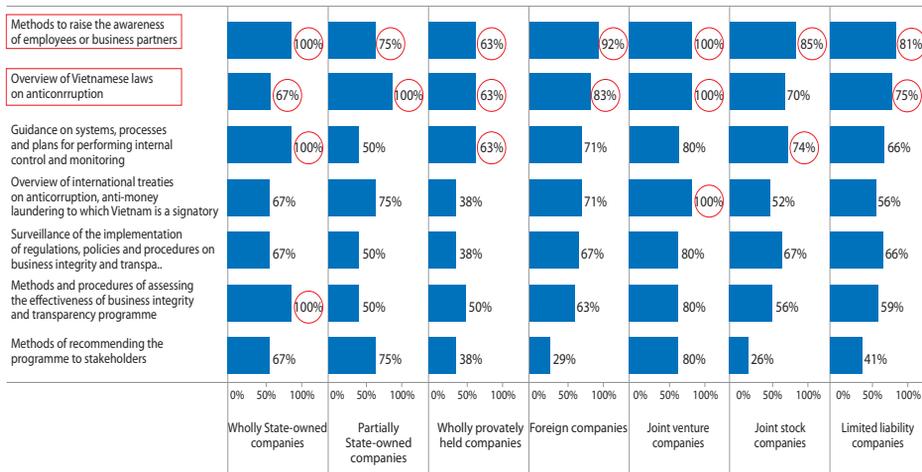


Figure 30. Demand for training support for integrity and transparency practices in business, categorised by company type

In addition to common contents chosen by companies surveyed, wholly State-owned companies pay special attention to the content “Methods and procedures of assessing the effectiveness of business integrity and transparency programme.”

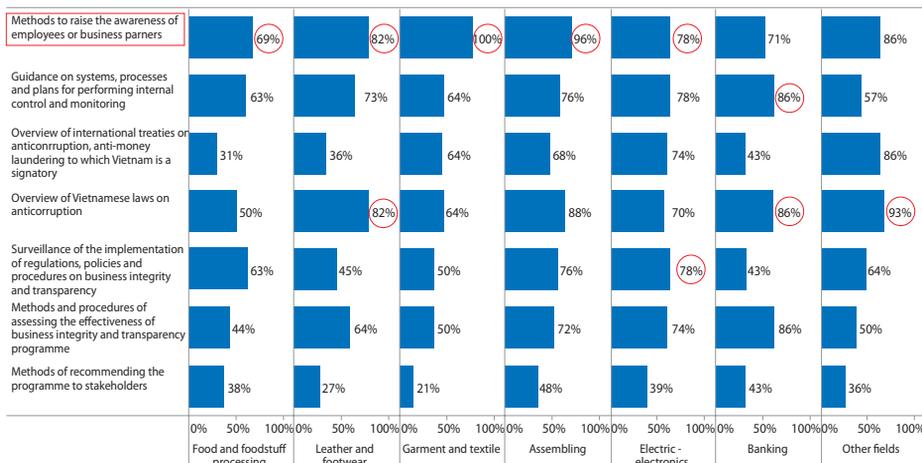


Figure 31. Demand for training support for integrity and transparency practices in business, categorised by industry

Businesses now hope to have training support for contents relating to construction, implementation and supervision of integrity and transparency practices in business and lack interest in methods to assess business integrity and transparency programme. Banking, assembling and electric - electronics industries are very keen on the content “Methods and procedures of assessing the effectiveness of business integrity and transparency programme.”

Demand for training support for anticorruption practices

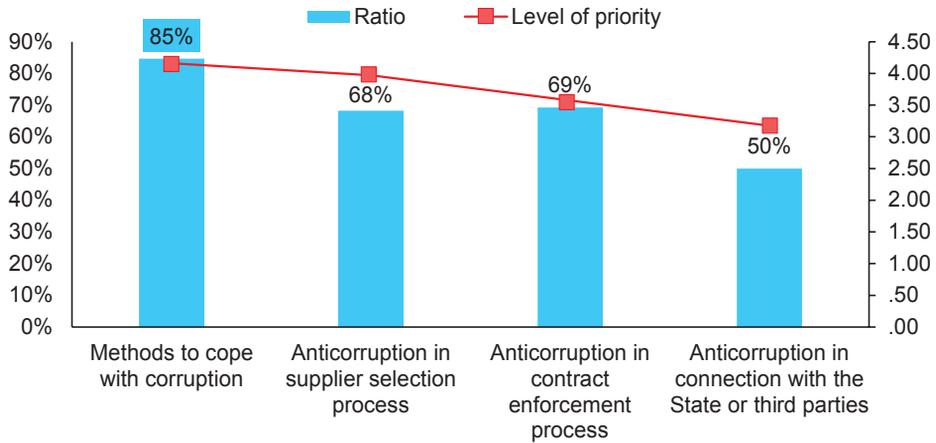


Figure 32. Demand for training support for anticorruption practices

Training contents on anticorruption always draw very much attention of companies, particularly the content “Methods to cope with corruption” with the highest percentage ratio (85%).

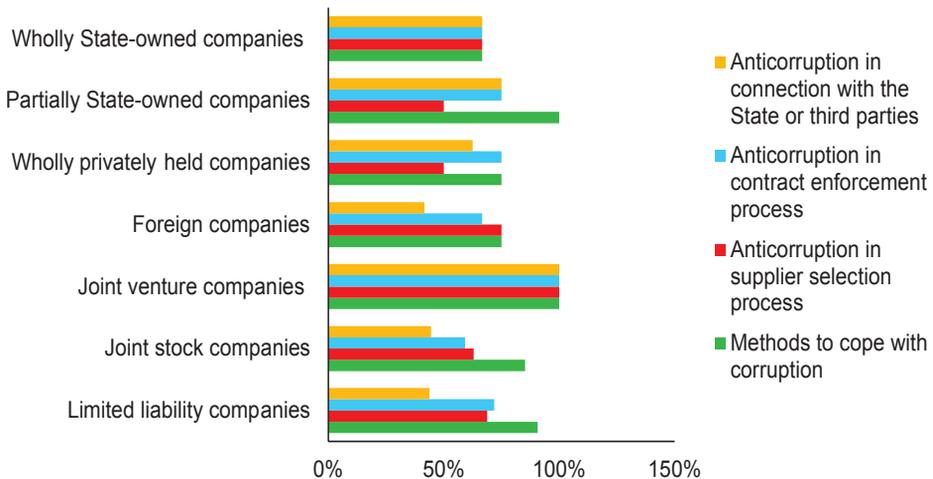


Figure 33. Demand for training support for anticorruption practices, categorised by company type

Wholly privately held companies care much about the content “Anticorruption in contract enforcement process” and the content “Methods to cope with corruption”. Meanwhile, partially State-owned companies show interests in the content “Methods to cope with corruption.”

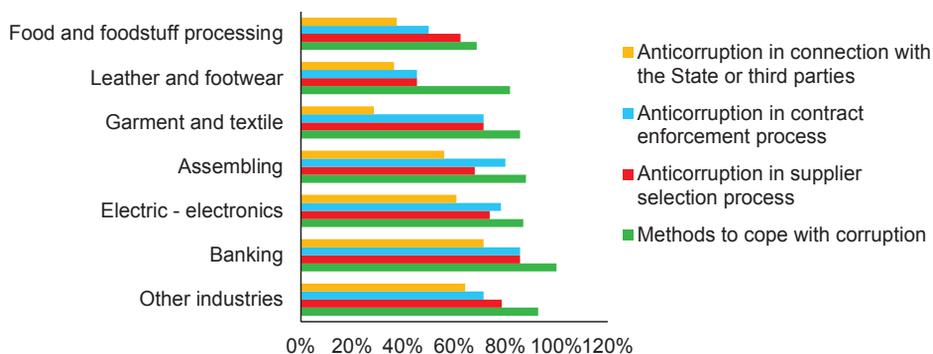


Figure 34. Demand for training support for anticorruption practices, categorised by industry

According to the graph in the Figure 34, companies across all industries are very interested in methods to tackle corruption.

2. DETERMINING TRAINEES AND APPROPRIATE TIME FOR TRAINING

2.1. Determining trainees

People should participate in business integrity and transparency programme.

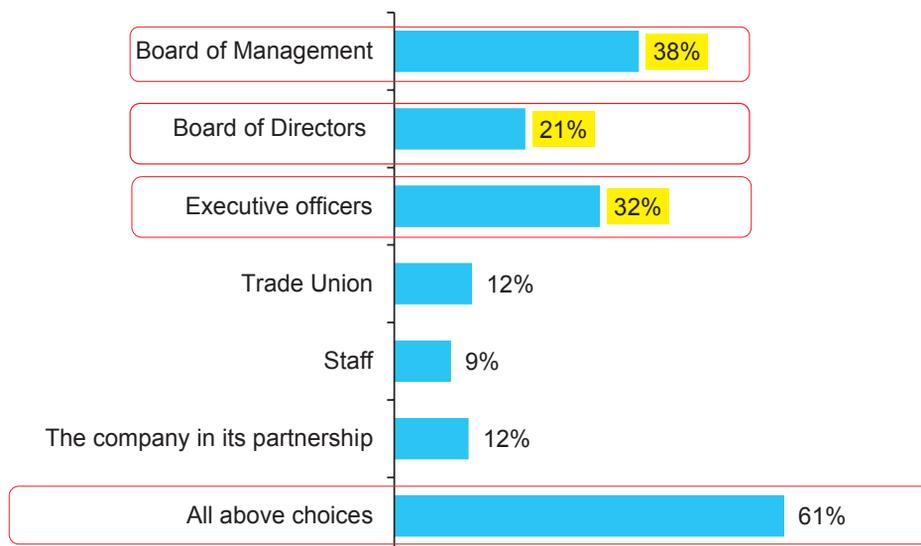


Figure 35. People should participate in business integrity and transparency programme

61% of respondents reply that “All employees in the company should take part in business integrity and transparency programme”.

Besides, many companies think it is better if the Board and Management, the Board of Directors and executive officers take part in Business Integrity and Transparency Programme.

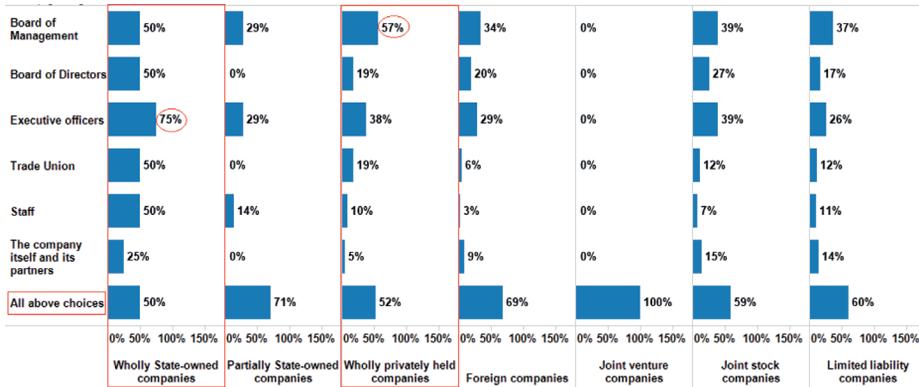


Figure 36. People should participate in business integrity and transparency programme, categorised by company type

Most companies agree that all employees of the company should participate in the Business Integrity and Transparency Programme. Besides, wholly State-owned companies particularly uphold roles of executive officers in the Business Integrity and Transparency Programme.

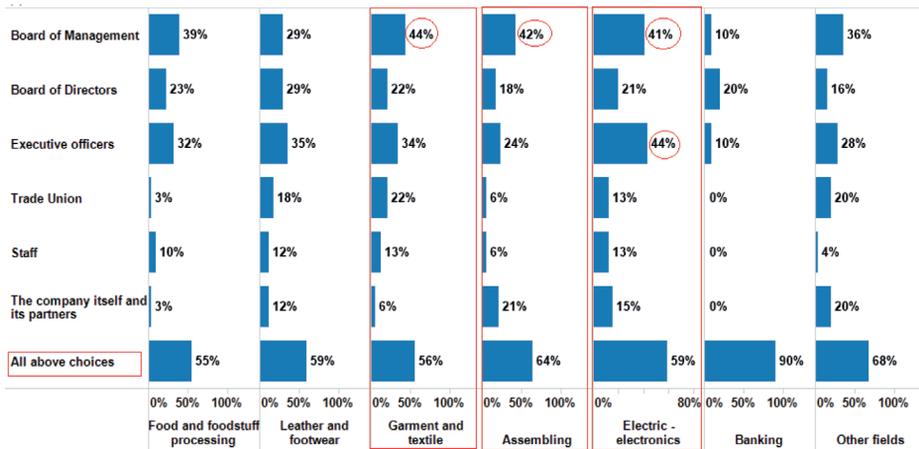


Figure 37. People should participate in business integrity and transparency programme, categorised by industry

By industry, most of companies responded think that all employees of the company should be involved in the Business Integrity and Transparency Programme. In addition, garment and textile, assembling and electric - electronics industries pay a high regard to executive officers and the Board of Management in attending the Business Integrity and Transparency Programme.

Suitable people for training activities

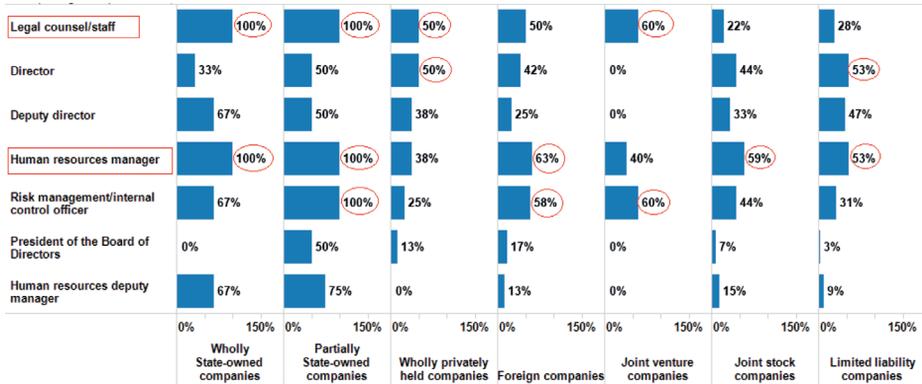


Figure 38. Trainees of business integrity and transparency programme, categorised by company type

Respondents say legal counsel/staff, human resources manager and risk management/internal control officer should take part in the business integrity and transparency training programme.

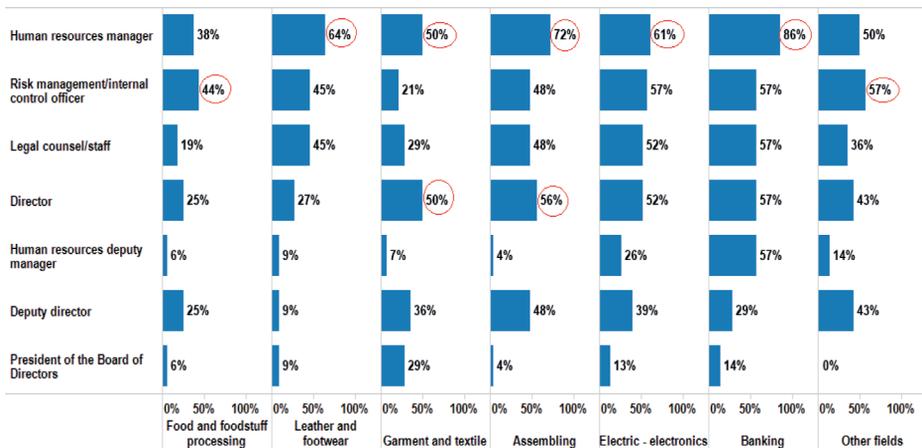


Figure 39. Trainees of business integrity and transparency programme by industry

By industry, respondents agree that director, legal counsel/staff, human resources manager, and risk management/internal control officer need to attend the business integrity transparency training programme.

2.2. Appropriate time for training activities

Appropriate time for attending the business integrity and transparency training programme

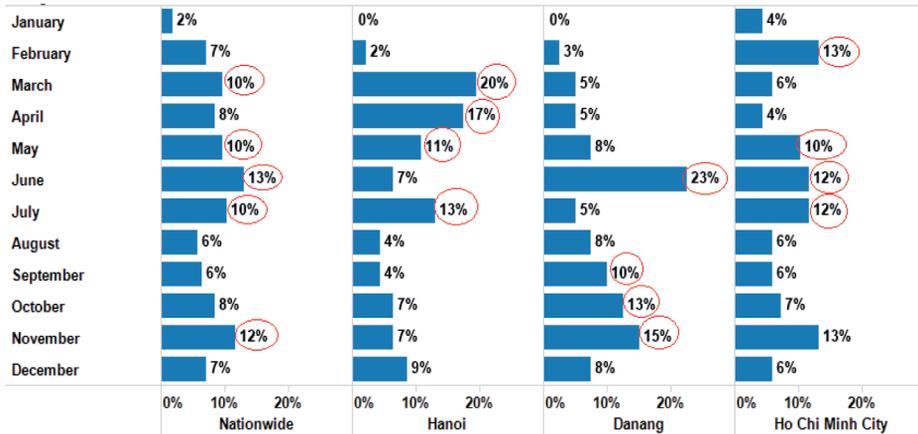


Figure 40. Appropriate time for attending the business integrity and transparency training programme

According to survey results, March, May, June, July and November is a suitable time for training in general but the final specific schedule will vary from locality to locality. VCCI bases on results in Hanoi, Ho Chi Minh City and Danang to arrange training times for specific periods.

3. INTEREST AND INVOLVEMENT OF COMPANIES IN INTEGRITY AND TRANSPARENCY IN THE BUSINESS

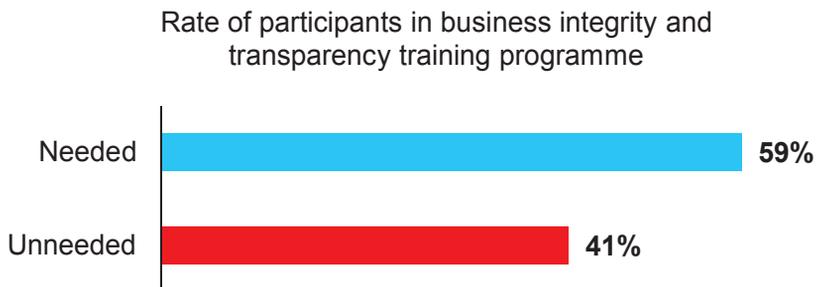


Figure 41. Demand for attending the business integrity and transparency training programme

Survey data show that 59% of respondents want to take part in the programme and hope to receive supports with the integrity programme in the business. This reality indicates that companies started to care and understand the importance of integrity in business.

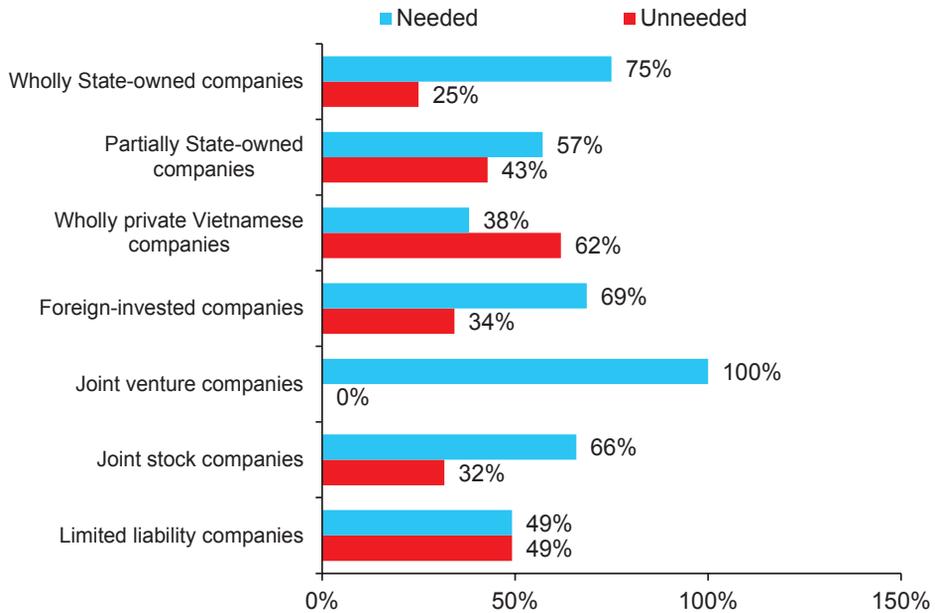


Figure 42. Demand for attending the business integrity and transparency training programme, categorised by company type

State-owned companies show greater care in the training programme for integrity and transparency in business than private companies. Wholly privately held companies have the lowest rate of respondents in the business integrity and transparency training programme (38%). Joint venture companies meanwhile have the highest demand for this.

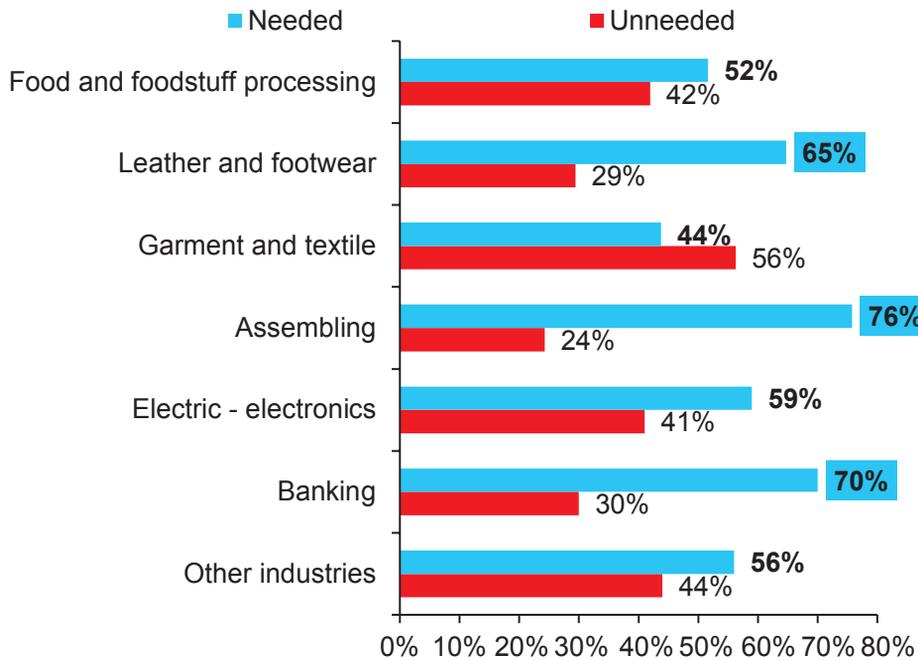


Figure 43. Demand for attending the business integrity and transparency training programme, categorised by industry

Assembling, banking, and leather and footwear industries have the highest readiness of taking part in the business integrity and transparency programme while garment and textile and food and foodstuff processing industries have the lowest rate.



*Bạn là một doanh nhân
Bạn không phải con rối
của đồng tiền mờ ám*

*You are a businessman...
not a puppet of black money*

NO CORRUPTION

*Your action decides the bright society for today
and future. Say NO to corruption to maintain
our prosperity and sustainability.*

*Hành động của bạn quyết định sự tốt đẹp của xã hội
ngày hôm nay và cả tương lai. Hãy nói KHÔNG với tham nhũng
để gìn giữ sự thịnh vượng và bền vững của chúng ta.*

CHAPTER IV: CONCLUSION AND RECOMMENDATIONS

Survey results portray the overview picture of current integrity practices in business, relatively faint and lack of commitment. The rate of companies developing and deploying regulations and policies on integrity and transparency in business is low. Private businesses do not care much about developing and deploying regulations and policies on integrity and transparency as well as measures to control and prevent internal frauds and supplier-related frauds.

Apart from survey results stated and analysed above, the specialist group recommends adding the following contents to the training programme.

Training contents that companies have HIGH demand

Policies and procedures on integrity and transparency in business
Integrity and transparency practices in business

Anticorruption practices

- ▶ Building overall business integrity and transparency policies and processes of enterprises;
- ▶ Building internal controlling and monitoring system;
- ▶ Adopting controlling and monitoring methods to identify high-risk transactions;
- ▶ Building corporate risk management system; the responsibility to account, assess and evaluate responsibilities of the highest level relating to corruption;
- ▶ Methods to raise the awareness of employees or business partners;
- ▶ Overview of Vietnamese laws on anticorruption;
- ▶ Guidance on systems, processes and plans for performing internal control and monitoring;
- ▶ Surveillance of the implementation of regulations, policies and procedures on business integrity and transparency;
- ▶ Methods to cope with corruption (immediate reaction, documentation and internal reporting methods, survey and punishment methods, discussion methods with contractor's representatives);
- ▶ Anticorruption in contract enforcement process.

Training contents that companies have LOWER demand

Policies and procedures on integrity and transparency in business
Integrity and transparency practices in business.

Anticorruption practices

- ▶ Adopting controlling and monitoring methods to identify high-risk transactions;
- ▶ Building anticorruption terms in contracts with suppliers;
- ▶ Introducing methods to control and manage suppliers;
- ▶ Introducing additional controlling methods for procurement and tenders;
- ▶ Surveillance of the implementation of regulations, policies and procedures on business integrity and transparency;
- ▶ Methods and procedures of assessing the effectiveness of business integrity and transparency programme;
- ▶ Methods of recommending the programme to stakeholders;
- ▶ Anticorruption in supplier selection process.

Recommendations to the programme

- It is necessary to have effective programmes to inform companies of transparency and competition requirements and the importance of integrity and transparency in business in enhancing corporate competitiveness, especially when Vietnam signs the Trans-Pacific Partnership (TPP) and free trade agreements (FTAs).
- Strengthen communication activities to raise awareness of the business community about business with integrity, transparency and responsibility; encourage companies to bring integrity into core business and production operations, build the code of conduct with core values in order to prevent acts of internal fraud, enhance the performance of companies and create a favourable and equitable business environment.
- Study on models and methods of foreign companies in Vietnam in exercising integrity and transparency in business to learn their experience and knowledge for developing training and capacity building programmes for domestic companies in a bid to gradually improve the business environment of Vietnam.
- Catalyse the Vietnamese business community to take actions for a better business environment and achieve consensus against corruption, bribery through collective actions and signing of integrity agreements.

The carrying out of the integrity programme in the business not only helps companies demonstrate their integrity value and responsibility but also prevent open risks and potential risks. These risks are identified differently from industry to industry and none can ensure that they are free from risks. An effective integrity programme not only helps companies strengthen their reputation but also gain the respect of employees, increase the trust of stakeholders and realise their commitments.

Appendix: Reference information on legal foundation for anticorruption in the private sector ⁽¹⁾

■ On strengthening transparency and accountability, reducing risks, negative acts and frauds:

- Law on Enterprises of 2014 has a lot of provisions on publicity and transparency of organisation and operation of the enterprise. For example, the enterprise is obliged to make public information on its establishment and operation; the responsibility of a legal representative of the enterprise is to be loyal to interests of such enterprise, never use information, secret and business opportunities of the enterprise, not abuse his/her position and power and use corporate assets for the sake of personal interests or for the benefit of other organisations and individuals, etc.

- Law on Competition of 2004 stipulates eight types of agreements restricting competition. Acts of corruption in the private sector can be used in these eight types of agreements. The law also provides 10 kinds of acts of unfair competition, including many done through acts of corruption in the private sector.

■ On strengthening accounting and auditing standards in the private sector

- Law on Accounting of 2003; Decree 129/2004/ND-CP on detailed regulations and instructions for the implementation of some articles of the Law on Accounting applied in the business sector.

■ On measures to enhance publicity and transparency in the organisation and operation of the enterprise; and systemise accounting and auditing standards

- Law on Enterprise; Law on Anticorruption; Law on Credit Institutions; Law on Accounting; Articles of Association of Banks, etc.

■ Anticorruption institutions in the private business sector

- Supervisory Board at joint stock companies and big limited liability companies.

- In relation with employees, businesses build employee control mechanisms such as accounting, auditing and internal control.

⁽¹⁾ Study on “Corruption and anticorruption in private sector in Vietnam”, Government Inspectorate Research Institute, Government Inspectorate of Vietnam, 2015

- In relation with partners, businesses can examine, supervise or use professional inspection and monitoring services for complicated operations such as surveillance consultants in construction, valuation and appraisal, etc.
- Independent audit.
- Code of conduct applicable to each career or business sector.
 - Anticorruption orientations in the private sector in the coming time
 - Further improve regulations on corporate internal governance of the rights and obligations of shareholders in access to information on company operations.
 - Diversify the formation of the Supervisory Board, the rights and obligations of the Supervisory Board, increase the awareness and capacity of the Supervisory Board in companies with many shareholders or State capital.
 - Issue and strictly enforce laws against insider trading, adding penalties on such act.
 - Strengthen the enforcement of professional standards over independent auditing to ensure the accountability of auditors for their work results
 - Issue and enforce professional principles and standards of conduct for highly specialised careers, including regulations against conflicts of interest.
 - Empower professional associations to issue career practice cards and certificates to which mechanisms and regulations on professional ethics and codes of conduct are applied.
 - Change financial mechanisms; strengthen self-financing mechanism to reduce acts of corruption.
 - Simplify conditions and procedures of disciplining employees, especially in the case of intentional acts
 - Apply punitive compensations to damage in civil contract transactions where one party deliberately cause damage.
 - Support monitoring, evaluating and appraising services in order to narrow the gap in communications between the two parties in contractual relations.



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