

Managerial Perspectives of Bribery and Corruption in Vietnam

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Gray & Kaufman (1998) suggest that corruption is a symptom of fundamental economic, political and institutional causes and is more widespread in developing and transition economies, not because of a difference in people's values or ethics, rather the motivation for monetary gain is usually accentuated by poverty, low public sector salaries, little accountability and poorly enacted laws and principles of ethics. Bribery and corruption can be defined differently depending on the perspective and the issue that is being discussed, for example; economic, political or legal. Kinsea (2008) suggests that an individual or a group is said to be guilty of corruption if they accept money for doing something that they are under a duty to do anyway, that he is under a duty not to do. Ampratwum, (2008) suggest it can include the exercising a legitimate discretion but for improper reason or the transgression of rules governing public resources by officials in response to financial inducements or political influence. Essentially it can be seen as an illegal or unauthorised transfer of money or an in-kind substitute (Rose-Ackerman, 1974). According to Transparency International (2007) Vietnam remains highly corrupt, as shown by its score in the Corruption Perception Index, of 2.6, compared to the relatively low level of corruption in Australia, ranking at 11 and the UK at 12. Both Vietnam business and country experts still perceive corruption as one of the key concerns and in 2003 more than half of foreign and local businesses complained that corruption and bureaucracy were major issues when conducting business (United Nations Development Programme, 2008). This paper will provide a review of literature relating to corruption and bribery and the major problems confronting managers

Field of Research: Business Ethics, Management, Bribery and Corruption, Cross Culture.

1.0 Introduction

Organisations operating in foreign countries, particularly developing economies, are often presented with the challenges of managing processes that are not transparent and characterised by the use of facilitation payments. This highlights the importance of understanding what bribery and corruption actually are, as they are interpreted differently around the globe. Donaldson and Dunfee (1999 p. 47) identify that 'the importance of cultural differences to business are highlighted by Kluckhorn, Hofstede, Hamden-Turner and Trompenaars, yet the ethical implications remain largely unexplored'.

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As noted by Donaldson and Dunfee (1999) for some, the concept of bribery, to get goods through customs for example, is no different to that of tipping for better service in a restaurant, whilst others distinguish the two as very different practices. Gift giving also presents many challenges for organisations and managers. From one perspective it can clearly be seen as an act of reciprocity to establish trust and build relationships, yet Westerners often misconstrue it as bribery. Guanxi or gift giving appears to be an important constituent of Asian cultures and can be seen as a form of relationship investment that if cultivated well can uplift interactions between businesses (D'Souza 2003 p. 27).

Apke (2001) defines bribery as gaining improper advantage for business including activities such as gaining orders, applications for regulatory permits, customs, taxation concessions and judicial and legislative rulings. Whereas Ampratwum (2008, p.76) states that corruption is 'usually defined as the transgression of formal rules governing the allocation of public resources by officials in response to offers of financial gain or political support'. Alatas (1999 p.6) concurs citing Wertheim's (1965) description of corruption as 'a public servant who accepts gifts bestowed by a private person with the object of inducing him to give special consideration to the interests of the donor'. He also suggests that extortion, or the expectation or demand for gifts or favours in the execution of public duty also constitutes a form of corruption.

2.0 Corruption and Developing Economies

There is general agreement that developing and transition economies are more prone to corruption than developed ones (Goldsmith, 1995; Ksenia, 2008). This assertion is supported to some extent by Transparency International (2006) which argues that national economies that are open and integrated with world markets, combined with robust political, social and legal systems, appear less prone to corruption than those which are not. The 2006 Transparency International Corruption Index also lends support to this assertion with the three least corrupt countries being identified as Iceland, Finland and New Zealand, all considered as developed economies with robust political-social legal systems, whilst the most corrupt were identified as Turkmenistan, Bangladesh, and Chad (TI, 2006).

2.1 Causes of Corruption

The World Bank (1997) identifies the causes of corruption as poorly designed economic policies, underdeveloped civil society, low levels of education and weak accountability of public institutions. These are characteristics of developing and transitioning economies and perhaps provide insight into why they experience corruption (Ksenia, 2008). Gray and Kaufmann (1998) and Alatas (1990) assert that corruption is widespread most amongst developing economies which are typically characterised by ineffective and unenforced rules and regulations, a high degree of internal political competition, where individual civil liberties and political freedoms are restricted, the majority of the population are in lower socio-economic brackets and poverty is common and accountability is weak.

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Other factors influencing corruption include the standard of education, income per capita, low and uneven economic growth along with the level of competition and greed (Oskooee, Goswami, & Gour, 2005). Corruption often remains due to the fact it has become institutionalised and essentially becomes accepted (United Nations Development Programme, 2008). Evidence suggests factors such as; international trade barriers, limited freedom of the press along with the policies applied across the banking sector can cause a higher degree of corruption (Mauro, 2007).

Andenas (1995) argues that significant structural changes to political and economic systems can also be a major contributing factor to the prevalence of corruption. He notes that this appears to be a major problem in former communist countries whose economies are in transition, largely due to an absence of experience with the co-existence of a private and public sector. The privatisation or transfer of public enterprises or public assets to the competitive private sector is also suggested as the introduction of competition to an inexperienced sector that can also stimulate bribery as their public assets are transferred to private ownership.

Osbourne (1997) classifies corruption into three groups: bureaucratic corruption where officials take bribes; political corruption where politicians take bribes; and grand corruption signifying the misuse of public power by heads of states for private pecuniary benefit. The bribes are usually given by organisations to influence the outcome of government contracts, allocation of monetary benefits (tax evasion, subsidies, etc.), to speed up government's granting of permits, to carry out legal activities and influence outcomes of legal and regulatory processes (Carmichael, 1995; Gray and Kaufmann, 1998; Kaufmann and Wei, 1998; Batabyal and Yoo, 2007).

Andeas (1995) purports that a large proportion of the civil service in these underdeveloped or transitioning economies are significantly underpaid relative to the economic growth and wealth generation that often occurs due to the liberalisation of the economy and the privatisation of assets. 'Underpaid public servants see a chance to take part in the conspicuous consumption becoming a part of their societies, or at least to maintain living standards in a period where the purchasing power of public sector salaries is radically reduced in relative terms (Andeas 1995 p. 60). However, Ampratwum (2008) notes that US studies show increases in civil service wages do not necessarily result in a reduction of corruption, therefore other influences are very powerful.

Much literature exists relating the political and economical characteristics of countries to the primary forces driving corruption. It is important to note that corporations also 'choose' to pay bribes to do business, which contributes to the normalisation of corruption in these countries. Carmichael (1995) identifies three reasons why corporations may take part in such forms of corruption:

1. they perceive bribery as the business norm in the country in order to get successful business transactions,
2. even though they may identify the act (bribery) as morally wrong, they do it because other corporations also do it, and

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3. corporations desperate for business and under pressure may choose unethical practices to obtain business for financial success.

Research conducted by Husted (1999) and similarly supported by Sanyal and Samanta (2002), indicates that perceived bribery could be highly correlated with cultures exhibiting high power distance, high masculinity and high uncertainty avoidance. According to Hofstede (2002), Vietnam has been assessed as a country with high power distance and high uncertainty avoidance. If these assertions are correct this may indicate a propensity for bribery and corruption in Vietnam, however, this does not necessarily suggest that the propensity for this behaviour is a fundamental value or characteristic of the national culture. Husted, (1999) essentially suggests that corruption exists in most societies but at different levels, ranging from rare to widespread to systemic. Gray and Kaufmann (1998) argue that where corruption has become systemic, the economic institutions, rules, and norms of business behaviour adapt to a corrupt modus operandi, with bureaucrats and other agents often emulating or taking the lead from the examples of role models in the political arena.

2.2 Can Bribery and Corruption be a part of National Culture?

National culture can influence how actions may be construed as corrupt or not corrupt, due to differences in perceptions and etiquette. This is consistent with Hofstede (1991) who distinguishes between cultural values and cultural practices, suggesting that national cultural differences can be identified according to values and, to a minor extent, variations in practices. House et al. (2002, 2004) also distinguish empirically between cultural values and practices.

Maingot 1994 stated that participants in acts of corruption may be influenced by cultures and cultural value systems that may endorse, rather than condemn, such activities and because of the existing social structures of some nations, there may exist a propensity to resort to corrupt practices to achieve socially approved goals (cited in Beets 2005, p. 67).

Davis and Ruhe (2003) found that corrupt practices increases when country culture characteristics are associated with high levels of power distance, masculinity, and collectivism. This correlates with Hofstede study on culture, where these traits and characteristics are more prevalent in the Asian countries (Hofstede, 1980). D'Souza, (2003) suggests that gift giving in Asian cultures is seen as an act of reciprocity, and an important process in the establishment of trusting relationships, yet often misconstrued as bribery, in particular by western managers and organisations. Getz and Volkema (2001) establish a relationship between individuals with positional power in high power distance cultures and corrupt practice. They suggest that these individuals may associate position with the opportunity or privilege to obtain individual benefits. This is also consistent with observations by Park (2003) who indicated that higher power distance cultures are likely to be more corrupt than low power distance cultures. Similarly a positive correlation was established between Hofstede's power distance and a propensity towards corruption (Davis and Ruhe 2003). It is argued that countries with a high power distance are more likely to accept a lack of equality regarding power and

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authority; therefore, their individuals are more likely to have corrupt values and to accept corrupt practices.

Culture has been described and defined from various perspectives including national and organisational. Harris, Moran and Moran (2007) describe culture from a set characteristics that includes; sense of self and space, communication and language, dress and appearance, time and time consciousness, relationships, values, norms, beliefs and attitudes to work habits and practices. Hofstede, (1993, p 89) has suggested “culture is the collective programming of the mind which distinguishes one group or category of people from another”. Trompenaars and Woolliams (1996, p 67) see cultural differences as based on a series of dilemmas that being two propositions in apparent conflict with the need to choose between two good or desirable options.“

At an organisational level, Daft (2003) identifies culture as a set of values, norms, guiding beliefs and understandings that are shared by members of an organisation and taught to new members as being correct. It represents the unwritten feeling part of the organisation. Leadership has been identified as critical in the formation and maintenance of organisational culture. What appears crucial is the action of visible leaders in the organisation. Trevino & Nelson (1999) argue that the behaviour of senior executive sets the tone for employee behaviour and role modelling by leaders is seen as significant in establishing the actual acceptable behaviour of an organisation.

2.3 Values, Action and Etiquette -Disconnect

Trompenaars and Woolliams (2003) describe culture using the metaphor of an onion with three significant layers

1. Outer layer of the visual reality – these are the behaviours, clothes, food language and attributes that allow us to visibly distinguish cultural characteristics
2. Mid layer of Norms and Values – these are the values and standards that inform action-
3. Inner layer – unquestioned implicit culture – the basic assumptions that inform the norms and values.

This model is useful to distinguish the relationship between the visible and invisible aspects of culture. However, from an ethical perspective, the author suggests that the metaphor can also be used to explain variations between action and intent, providing a modification is made to the model. Ethical relativism is often used to justify or explain differences in behaviours or values between different cultural groups or nationalities. LaFollette (1991) states that ethical relativism is the thesis that ethical principles or judgments are relative to the individual or culture. Velasquez, Andre, Shanks and Meyer (1992) describe ethical relativism as the theory that morality is relative to the norms of one's culture and whether an action is right or wrong depends on the moral norms of the society in which it is practiced. Thus the same action could be argued as morally correct in one culture but be morally wrong in another. They suggest that if ethical relativism is correct, there can be no common framework for resolving moral disputes or for reaching agreement on ethical matters among members of different societies. The relevance of

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the relativist debate to bribery and corruption should be evident. It is possible that practices that are termed bribery and corruption and seen as unethical in one country could be argued as consistent with the norms of another and thus ethical. Anecdotally managers often justify the paying of bribes and facilitation payments claiming that the practice and expectation is part of the values set or national culture. Thus it can be seen that ethical relativism is a theory that supports the maxim “when in Rome, do as the Romans do” and is advanced by those who seek to defend their use of bribery (Kohls and Buller, 1994, p. 31; Boatright 2003, p. 427). Donaldson and Dunfee suggest that some companies, whilst recognizing these cultural differences, simply accept these as the way business is conducted in a host country, thus engage in corrupt practices. They argue that this strategy is a “mistake because it exposes the company (and its brand names) to corruption and public affairs disasters, and because it misses the opportunity to find the glue that cements morale and cooperative strategy” (1999 p. 46)

In terms of Trompenaars and Woolliams (2003) cultural model, it is suggested that the mid layer should contain only norms- or standards of behaviour where as values belong in the third inner layer. This distinction assists in understanding seeming contradictions in culture classifications. For example, the author has travelled extensively in Sth East Asia in most recently in Vietnam where facilitation payments and corrupt practices are considered normal practice. Many claim that this reflects a cultural value, however, this can be countered by using the model, which explains a possible disconnect between underlying values and norms and action. In Vietnam the action of paying “extra” for speedier services or processing is an open practice (outer layer) it is a standard practice having become an accepted norm for purposes of expediency. However, the strong underlying ethic of Vietnam is Buddhism with a minority influence of Christianity. In discussing these issues with practicing Vietnamese managers they recognise that the action is inconsistent with their underlying beliefs yet continue the practice because it’s expedient. When asked would they adopt the same strategies with families and friends the typical response is no. The implication of these insights helps understand why visible behaviours and practices are not necessarily consistent with underlying cultural values.

2.4 The Normalisation of Corruption

Ashford and Anand (2003) lay out a process for the normalization of corruption behaviour within an organization which has some application to national levels as the bribery and corruption discussed in the is paper refers primarily to organisational corruption. They assume that all organizations have the potential for corrupt or unethical practices as opportunities exist both internally and externally which if accepted can result in the normalisation of the practice. They define normalization as behaviour that has become embedded and internalized by organizational members, who see it as permissible and even desirable behaviour. These practices are then passed on to successive generations of members under the guise of normal practice. Ashford and Anand (2003) also describe a second aspect to the normalisation process that it the rationalisation of the practice. They identify some factors that can encourage their proposed process of an initial corrupt act, embeddedness, and repetition, such as culture and organizational memory within an organisational context. They primarily focus

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on how an environment develops that promotes corruption, once the acts have already been carried out, not what inspires the corrupt acts in the first place. Rationalizations capitalize on the complexity and ambiguity and dynamism of the situation. Actions that appear corrupt in hindsight may have been taken on an adhoc basis, under pressure or with incomplete information. Once initial acts of corruption occur they tend to gain momentum, as the organisation tends to count on the rewards of the action. With the decision already made, it becomes easier to perpetuate the acts rather than to stop them. Ashford and Anand (2003) also identify a range of factors that individual use to rationalise corrupt behaviour several of which appear to have relevance within a larger national context. The denial of responsibility involves the actors engaged in corrupt behaviours perceiving that they have no other choice than to participate in such activities, that it is a necessary aspect of their activities. The metaphor of the ledger also has great relevance particular give the points made earlier concerning the issue of relatively low wages in the public sector. The individuals rationalize that they are entitled to indulge in corrupt behaviours because of their accrued credits (time and effort) in their jobs for which they are not directly financially remunerated.

Anand, Ashforth, and Joshi, (2005) suggest that the desire for group acceptance reduces individual concerns, which leads to acceptance of and the development of a social cocoon. Once formed, corruption may be facilitated through the following steps:

- (1) veterans and organisational leaders role model the corrupt behaviour,
- (2) individuals are encouraged to affiliate, bond with and develop desires to identify with, emulate, and please veterans and leaders,
- (3) strong and consistent information and ideological statements are made so that corrupt acts are seen in a positive light
- (4) individuals are encouraged to attribute any misgivings they may have to their own shortcomings (particularly naiveté) rather than to what is being asked of them.

3.0 Bribery and Corruption in Vietnam

Lewis (2006) describes Vietnam as a group oriented society with underlying Confucian tenets with an overlay of French rationality and western style entrepreneurship. He also suggests that the current strategy of the Government is to liberalise the economy as quickly as possible to encourage investment whilst at the same time maintaining strict political control. As identified earlier, countries in economic transition appear more susceptible to problems with bribery and corruption. The Transparency International (2007) Vietnam country report suggests that Vietnam can be seen as experiencing significant issues with corruption as reflected by its score of 2.6, and a country rank of 123 in the TI Corruption Perception Index as compared to the relatively low level of corruption in Australia, with a score of 8.6 and a country rank of 11. The United Nations Development Programme (2008) suggested that Vietnam business and country experts identify corruption as one of the key concerns and in 2000s more than half of foreign and local businesses complained that corruption and bureaucracy were major issues when conducting business (United Nations Development Programme, 2008).

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According to the Bertelsmann Transformation Index Report (2006, p20), Vietnam's "greatest challenge is fighting corruption. Despite the CPV's intensified campaign to curb corruption and proceedings against some supposedly corrupt—and in some cases prominent—party functionaries and government officials for the sake of good publicity, resources continue to be distributed to a great degree based on patronage. With the exception of Indonesia, in no other Southeast Asian country is corruption such a basic characteristic of the state and administrative structure. The report also states that the main structural obstacle to more effective governance in Vietnam is the rampant corruption, which, according to observers, has spiraled out of control despite the government's intensified attempts to tackle the problem.

3.2 Bribery and Corruption and Public Sector Salaries

Oskooee, Goswami and Gour (2005) suggest that one of the key causes of corruption, within the civil services, is the relatively poor pay and this was identified as one of the main issues in one of the United Nations Development Program (UNDP) administrative reform programs. This may lead to an acceptance by civil servants of additional facilitation or commission payments to supplement their poor pay that Ampratwum (2008) describes as incidental corruption. Gainsborough (2006) cites a 2005, draft report produced by the Internal Affairs Committee of the Central Committee of the CPV, supported by the Swedish International Development Cooperation Agency (SIDA), on corruption in Vietnam

The study identified that just over 30% of Vietnamese public officials and civil servants were willing to accept bribes and that more than 50% claimed that intermediate and higher-level offices are involved in corrupt activities. The study also sought to identify the causes of corruption and, over 65% of public officials and civil servants respondents and, 72% of enterprise managers and 55% of citizens identified the 'ask-give mechanism' as a major cause of corruption, and just on 30% identified low wages as a major cause. Almost 60% identified the lack of effective monitoring and governance and thus responded that lack of monitoring and inspection of people in power contributed to corruption. Over 56 per cent of public officials and civil servants, 62% of enterprise managers and 48% of citizens reported that low detection levels contributed to the incidence of corruption. However Sato (2009) suggests that from the perspective of the local population, corruption is not considered as something evil but as a sort of customary law and practice of maintaining harmony in their community, which contributed to their vested interests. This would seem to be consistent with Ampratwum (2008) incidental corruption and with the modified Trompenaars and Woolliams (2003) cultural model suggesting that the practice is seen as normalised etiquette rather than a national value.

The study also identified that the consequences of such corruption on Vietnam included "the loss of state assets, reduction in business opportunities and competitiveness due to increased production costs, reduced foreign investor confidence, under-utilisation and loss of competent civil servants and officials, increased social inequality and

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environmental degradation” (Gainsborough, 2006, p 11).

Sato (2009) suggests that similar to other transitional and developing countries, Vietnam has enacted anti-corruption legislation, however he suggests that this is largely as a result of external by foreign countries and international organizations who regard such systems as important for transparent governance of foreign investment. However he suggests that as a result of this external pressure, there is little or no strong ownership or commitment for its implementation by Vietnam. This is consistent with Gainsborough (2006) who identified that Vietnam’s first Anti-Corruption Law was enacted in late 2005 that would seem to indicate that the issue is gaining significant political support. This is also consistent with an Asia Monitor article (2008, p 4), that reported the Vietnamese Prime Minister Nguyen Tan Dung as stating that fighting corruption as one of the most important tasks for the government in 2008, This would be achieved by focusing on agencies managing state assets and public land. It was reported that Dung called for a stronger role by the media in the war against corruption, an indication of increased press freedom. However according to Transparency International, a challenge for Vietnam’s anti-corruption efforts is to bridge the wide gap between the formal rules governing the NIS (National integrity System) and actual practices on the ground. (NIS Study-Vietnam, 2006) Sato (2009) highlights that whilst Vietnam’s Anti-corruption law was enacted in 2006, the legislation currently makes no provision for any specified crime or penalty. Clearly the adoption of legislation with no enforcement or penalty provisions renders such efforts as ineffective.

3.2 Bribery and Corruption in Vietnam Managerial Perspectives

The authors have recently and regularly travelled to both Ho Chi Minh and Hanoi as part of study courses for an MBA Program. Such trips involved in class discussions and presentations by local Vietnamese and ex-patriot business men and women and site visits to various organisations including local and international firms. Anecdotal information was sought from managers and entrepreneurs concerning the prevalence and pressure to pay bribes or engage in corrupt practices. A common reply from senior expatriot managers working or controlling large firms that employed a significant number of local employees was that due to the economic benefits generated by their firms, and in particular the taxation revenue that flowed to regional government and public sector organisations, there was little pressure to engage in such practices as most companies had a clear and public policy of not paying bribes. Several managers commented that the cost to the local governments and public sectors of refusing to pay small bribes versus the taxation and economic loss to the region through relocation was enough to minimise such activity. However they acknowledged that this would be more difficult for smaller companies and local firms. Many expat managers also confirmed that the majority of bribery and corruption requests were typically in the form of facilitation payments to speed up requests of document processing. Several local entrepreneurs also confirmed that the majority of requests were for small facilitation payments related to permits, building requirements etc. In fact one entrepreneur indicated that whilst he frowned upon the activity it was a common and accepted practice which he rationalised by referred to it as “helping money”

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These anecdotal observations are consistent with Andeas (1995) statements concerning the low pay of public officials as a contributing factor to corruption as they seek to increase their modest salary levels. Similarly it supports Oskooee, Goswami and Gour (2005) suggestions that one of the key causes of corruption, within the public sector in developing economies, is the relatively poor pay, also identified as one of the main issues in one of the United Nations Development Program (UNDP) administrative reform programs. They also appear consistent with Osbourne (1997) classification of bureaucratic corruption where officials take bribes usually given by organisations to influence the outcome of government contracts, allocation of monetary benefits (tax evasion, subsidies, etc.), speed up government's granting of permits to carry out legal activities and influence outcomes of legal and regulatory processes (Carmichael, 1995; Gray and Kaufmann, 1998; Kaufmann and Wei, 1998; Batabyal and Yoo, 2007). The authors were not advised of any major political or grand corruption as defined by Osbourne (1997)

The relative acceptance of bureaucratic corruption by Vietnamese managers and Expatriate managers, based on the anecdotal information provided, also suggest that, as noted by Donaldson and Dunfee 1999 p. 46), some companies simply accept these practices as the way business is conducted in Vietnam. The acceptance and continuation of this practice is consistent with the hypothesis put forward earlier of a disconnect between underlying national values of Vietnam, that Lewis (2006, p481)) highlights as Confucian, an emphasis on duty, morality and piety compared to the practice of bribery which can be described as business etiquette. This is also consistent with the normalization of corrupt behaviour as described by Ashford and Anand (2003) when such behaviour becomes embedded and internalized.

4.0 Conclusion

This paper has presented a summary of literature that suggests that the causes of bribery and corruption are numerous but that economies in transition, particularly from command to market based economies are more susceptible to corruption. Some link has been established between some cultural aspects such as power distance and uncertainty avoidance and the prevalence of bribery and corruption and Vietnam was shown to have these characteristics, however, a disconnect between cultural values and business etiquette was also advanced as an explanation of how cultures with strong moral principles may still engage in seemingly inconsistent corrupt behaviour. Vietnam was shown to continue to struggle with bribery and corruption with most evidence suggesting bureaucratic or organization corruption to be most prevalent. Efforts by the Vietnamese government to curb corruption were also identified however these lacked an enforcement regime that undermined their effectiveness. Lastly anecdotal evidence from Vietnamese and expatriate managers reinforced the evidence from the literature that most bribery and corruption is related to facilitation of services and processes.

Further research issues are clearly raised by this paper. In particular verification of the anecdotal information from managers regarding the extent of bribery and corruption as

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being largely bureaucratic should be undertaken via primary research through questionnaires and or interviews. Further research could also be undertaken to determine the extent to which bribery and corruption actually undermines economic development in Vietnam.

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