

Social Enterprises Development in the Vietnamese's Socialist Oriented Market Economy

Dinh Van Trung*

Ho Chi Minh National Academy of Politics, Hanoi, Vietnam.

Abstract: Social enterprises have been developing in many countries. However, although Vietnam has legalized social enterprises since 2014, social enterprises face many difficulties, from lack of social awareness to low operational efficiency. Moreover, Vietnam's social enterprises are small both in quantity and scale, which are presently unable to promote their active role in socio-economic development and join hands with the State to implement sustainable development, economic development, and social equality. Therefore, the State and society need to be fully aware of social enterprises' true nature and role, thereby giving appropriate orientations for social enterprises to develop in the socialist-oriented market economy in Vietnam.

Keywords: social enterprises, Vietnam, socialist orientation, market, development.

INTRODUCTION

Vietnam was one of the few pioneering countries legalizing social enterprises (SEs) on a national scale. Legalizing SEs shows that the Vietnamese has recognized SE's roles and impacts to overall economic development of the country. However, there are no available official assessment nor evaluation of this type of enterprises in Vietnam, many SEs' economic prowess were not recognized in Vietnam's economic. After more than six years of legalization, Vietnam still does not have accurate data on the number of SEs. In the past few years, some SEs in Vietnam were established in response to business owners' demands and needs, of which business mission would lack of social development goal that is significant to SE. On the other hand, other SEs in Vietnam are also vastly different from SEs' development in other country, that SEs in Vietnam are often established by under-privilege, vulnerable community to help each other and call for government and society's support, without a strong structure of business or enterprises. Moreover, social awareness about social enterprises is still fragile; many people do not know the existence of social enterprises in the economy, including business owners and managers.

Meanwhile, it is essential to align SEs' initiatives and benefits for the community with the socialist-oriented market economy in Vietnam, where economic development and social justice are always concerned by the State. In the current climate of technology development, information sharing, mutual assistance, and support for under-privilege, vulnerable community are required and expected more from

every country. This becomes even more evident during the recent COVID-19 pandemic. In addition, social issues such as climate crisis and inequality issues also attract great attention from society. These are the prominent conditions for SEs to develop in Vietnam. Thousands of already-existed charity organizations, volunteering organizations across the country would also be a good foundation to establish as SEs.

Over time, SEs have developed and become a social movement on a global scale and influence. Despite its worldwide reputation, at the time of this study, there was no exact data on the number of SEs operating in each country, their objectives, operating scale, and effectiveness in addressing social issues. Research of social enterprises in the socialist-oriented market economy as Vietnam is essential to evaluate the country's integration into global socio-political movements. This study aims to describe social enterprises' role and impact in Vietnam so far, thus providing a recommendation for better integration of SEs in the grand scheme of Vietnam's socialist-oriented market.

CONCEPTUALIZATION OF SOCIAL ENTERPRISES

1. Definitions

Freer Spreckley initiated the term "social enterprise" in 1978, then described in detail in the book "Social Audit - A Management Tool for Cooperatives" published in 1981, whereby social enterprises were defined as¹ "an enterprise owned by people who work in or live in a given locality, are operated for registered social and commercial purposes and operate in a manner that is cooperation." Defined by the British Gov-

*Address correspondence to this author at Ho Chi Minh National Academy of Politics, 135 Nguyen Phong Sac Street, Nghia Tan, Cau Giay District, Hanoi, 10000 Vietnam; Tel: +84 912 171 798; E-mail: vantrung.dinh@gmail.com

¹ <http://catba.net.vn/2017/10/23/tong-quan-ve-doanh-nghiep-xa-hoi-qui-dinh-tai-viet-nam-va-tiem-nang-ap-wdungj-tai-khu-dtsq-cat-ba/>

ernment (2002)², SEs are recognized as a business model established to realize social goals and to use profits to reinvest for that purpose or the community, instead of maximizing profits for shareholders or owners. According to the Organization for Economic Cooperation and Development³, SEs are organizations operating under different legal forms, applying entrepreneurial spirit to pursue both social and economic goals simultaneously. SEs often provide social services and jobs for disadvantaged groups in both urban and rural areas. In addition, SEs also provide community services in the fields of education, culture, and environment.

In Vietnam, from 2014, SEs were first introduced in the National Enterprise Law and later updated in 2020. Article 10 of Vietnam's Enterprise Law 2020 stipulates: "Social enterprises operating in Vietnam must meet the following criteria: (i) being an enterprise registered for establishment following the provisions of this law; (ii) its operational objectives are to address social and environmental problems for the benefit of its larger community; and (iii) the enterprise must use at least 51% of its total annual profit after tax to reinvest to its registered operational objectives"⁴. Currently, there is no unified concept of SEs in Vietnam. However, from the actual organization, operation, and management, this study would consider SEs in Vietnam as enterprises that carry out the mission of social development, addressing social problems such as environmental pollution, poverty, and environmental protection, to protect and facilitate integration for the disadvantaged communities through the use of business models.

2. Historical background

The appearance of the first SE was first recorded in the United Kingdom in the 17th century. According to MacDonald et al., the first SE model was introduced in London in 1665, when the Great Plague raged, causing many wealthy families, industrial factory owners, and commercial establishments to withdraw from the city. The pandemic condition left a rapid increase in unemployment among the working poor. In that context, Thomas Firmin set up a production enterprise and used his financial resources to supply raw materials to create and maintain jobs for 1,700 workers. From its inception, Firmin stated that his enterprise did not pursue profit maximization and that all profits would be transferred to charities⁵. Since then, many businesses pursuing such social purposes had been gradually formed but did not reclaim their recognition. Not until British Prime Minister Margaret Thatcher's inauguration in 1979 that SEs saw its breakthrough development. Because Thatcher advocated strongly for narrowing the State's role in providing social welfare, many SEs flourished and developed. Later in 2002,

the UK Department of Trade and Industry published the UK Government's Strategy for Social Enterprises, which gave the first official definition of Social Enterprises. In 2005, a new legal form specifically for SEs dubbed "Community interest companies" was issued. Thus, the United Kingdom is currently holding a pioneering position in developing social enterprises in the world⁶.

3. Operating system

There are many ways to categorize and define different SEs' operating processes and systems. Categorization depends on the level of development, socio-economic characteristics of each country, and the country's political agenda and goals where it operates. From SEs' historical background, development, this study would define SEs' operating system as these following fundamental nature.

SEs are often developed by individuals or groups of individuals whose interests and profits are sufficient to the extent that they can conduct social activities. These people dedicated their responsibility to social development, community, or social issues towards other economic, political, and social issues. On the other hand, while the State does not have or provide enough resources to overcome persisting social problems or have the capacity to overcome this problem effectively, SEs also arise. SMEs are often formed from social initiatives based on the need to solve a specific social problem of the community, led by the entrepreneurial spirit of its founders. SEs depend a lot on the material and spiritual resources of entrepreneurs. SEs usually possess three main characteristics: (i) its primary objective is to address social issues; (ii) it applies business activities and fair competition as a means to achieve its primary objective; and (iii) it aims to reallocate most of its business profits back to the organization, the community, and its social cause.

SEs must first and foremost be an enterprise; that is, they cannot separate from the fundamental goal of economic benefits and profits. If overlooked its economic benefits and profits, SEs would reduce its social development objectives as economic prosperity is also recognized as a means of social development. Thus, SEs must not be distant from production and business activities. These activities are the essential characteristics, strengths, and advantages of SEs, compared to non-governmental or non-profits organizations and charity funds that operate social programs by social grants or donations. Therefore, business solutions and operating models are an indispensable part of the SE model. Moreover, SEs still have to compete equally and fairly with other businesses in the same field. Therefore, to survive and develop, SEs must retain their enterprise nature, that is, to promote initiatives, improve techniques, and participate in production and business activities on the principle of ensuring economic profits through which SEs can fulfill their chosen social objectives.

While SEs' main goal is to address social problems and issues (seen as their mission), this makes the difference be-

² Đại học Kinh tế Quốc dân, Viện nghiên cứu Kinh tế Trung ương, Hội đồng Anh, *Diễn hình doanh nghiệp xã hội tại Việt Nam*, Hà Nội 2016

³ Đại học Kinh tế Quốc dân, Viện nghiên cứu Kinh tế Trung ương, Hội đồng Anh, *Diễn hình doanh nghiệp xã hội tại Việt Nam*, Hà Nội 2016

⁴ Central Institute for Economic Management, British Council (2012). *Social Enterprise in Vietnam, Concept, Context, and Policy*. Available at: <https://www.britishcouncil.vn/sites/default/files/dnxh-tai-viet-nam-khai-niem-boi-can-hinh-chinh-sach.pdf>

⁵ Nguyễn Đình Cung, Lưu Minh Đức, Phạm Kiều Oanh, Trần Thị Hồng Gắm (2012), *Doanh nghiệp xã hội tại Việt Nam: khái niệm, bối cảnh và chính sách*.

⁶ Nguyễn Đình Cung, Lưu Minh Đức, Phạm Kiều Oanh, Trần Thị Hồng Gắm (2012), *Doanh nghiệp xã hội tại Việt Nam: khái niệm, bối cảnh và chính sách*.

tween SEs and ordinary enterprises. In a conventional business model, capital is the employer, and the most significant focus is on profit. Instead, in SEs' business model, labor is the owner of capital. This aspect would overcome the "exploitation" nature of capital, which helps us focus on social benefits and development. Through production and business activities, ordinary enterprises seek benefits, economic profits and distribute these results to investors, business owners on the principle of the general distribution of the economy. Meanwhile, SEs also aim to solve social problems through production and business activities as per their mission by distributing their material and immaterial gains. This distribution is not based entirely on property relations or common economic principles but on the consensus and the urgency to solve social problems.

In this study, we classified three main groups of SEs: (i) non-profit SE, (ii) not-for-profit SE, (iii) social-oriented profitable SE. We base on profit perspective, yet forsaking defines an enterprise as an organization with its name, assets, transaction office, established or registered for establishment under the Law for business purposes⁷. In reality, every SE aims to make a profit. Therefore, SEs should be distinguished based on their chosen field and operating model (i.e., to pursue profit or not). Therefore, if to choose the categorization as mentioned above, it will inadvertently erase the "enterprise" nature of SEs. Depending on the social issues to be solved and the organizational model, SEs should only be divided into two groups: for-profit and non-profit social enterprises. A not-for-profit SE is a social enterprise whose production and business results generate revenue that cannot cover its costs. Therefore, it is necessary to supplement capital in grants and donations to solve social problems jointly. A for-profit SE is an enterprise with profitable production and business, but those profits must be reinvested into the social problems that enterprises choose to address. Other organizations can work towards a social problem similar to SEs, but they are not SEs if they do not operate under a business model.

Regarding motivation and development, SEs often originate from the aspirations and creative efforts of individuals who want to improve the social system. SEs still have to be attached to the market, be affected by the market, and go through the same development stages as any regular business. However, SEs have to face challenges in the early development stages regarding resources and experience, which are much greater than those of a standard commercial enterprise. This challenge is because it is more difficult for us to mobilize non-profit resources. Sometimes, the development and growth of social enterprises is not linear but a process of continuous improvement, learning, experience, and growth. Supported by the government, funding sources and social investments are essential to creating conditions to promote SEs' initiatives. However, the decisive point still has to be the resources of the founders of SE. At the organizational level, to succeed, SEs must be consistent with their goals, values, and mission; it needs to cultivate and promote inter-

nal capabilities, learning, creativity, good governance, and policies. To sustainable financial benefits would improve competitiveness to survive and develop in any market.

SOCIAL ENTERPRISES IN VIETNAM CONTEXT

SEs have been established and developing in the socialist-oriented market economy in Vietnam. SEs in Vietnam have been providing business solutions to social and environmental problems that the State and the market have not effectively solved. Social issues that many Vietnamese SEs pursue the most include: creating jobs for disadvantaged groups (57%), health care - improving quality of life (51%), environmental protection (37%), promoting education (37%), social integration for disadvantaged and marginalized groups (35%). SEs in Vietnam often originate from cooperatives, relief and support centers of the State, associations, professional associations, some from start-up ideas in the past ten years.

According to a survey by the Central Institute for Economic Management (CIEM) and the British Council in 2018, 25% of SEs in Vietnam were established before 2008, 31% in the period 2008 - 2013, 14% in the years 2013 - 2015, and 30% after 2015⁸. In this survey, CIEM and British Council used a broad concept of SEs, including all types of enterprises, cooperatives, centers, associations, and clubs.

In 2011-2012, British Council, and CIEM estimated that there were about 170 SEs in Vietnam. This period was the time when there was no concept of social enterprises in the Enterprise Law. By 2018, the list of SEs registered under the Law was less than 50, but enterprises with similar models called "social impact enterprises" were estimated at 22,000 enterprises. In 2020, the list provided by the General Statistics Office comprised 50 enterprises. The list provided by the National Business Registration Portal Vietnam was close to 1,000 businesses, but a large number of these listed enterprises did not enlist themselves as SEs. There are 200 enterprises based on search terms of "social," "social enterprises" on the National Portal of Business Registration⁹. About 130 SEs registered to operate under the current Law of Vietnam on the National Information Portal as of June 2021¹⁰. There were also nearly 100 businesses with a similar operating model to SEs, but not registered as SEs. In addition, there are many organizations with similar characteristics and activities as SEs but have not yet registered. These include associations, clubs, centers, charities, community organizations that constantly engage in economic activity towards social problems.

The average staff size of registered SEs employs 35 people. The five most concentrated fields of practice for SEs include Education and training (34%), Agriculture (23%), Handi-

⁷ Conference Proceeding of Vietnam National Scientific Conference (2020) The role of the social enterprise sector in social development, Labor Publishing House, Hanoi 8/2020

⁸ British Council, Social Enterprise in Vietnam, 3/2019. Available at: <https://www.britishcouncil.vn/sites/default/files/social-enterprise-in-vietnam.pdf>.

⁹ Conference Proceeding of Vietnam National Scientific Conference (2020) The role of the social enterprise sector in social development, Labor Publishing House, Hanoi 8/2020

¹⁰ Ministry of Planning and Investment. National Portal of Business registration. Available at: <https://dichvuthongtin.dkkd.gov.vn/inf/default.aspx>

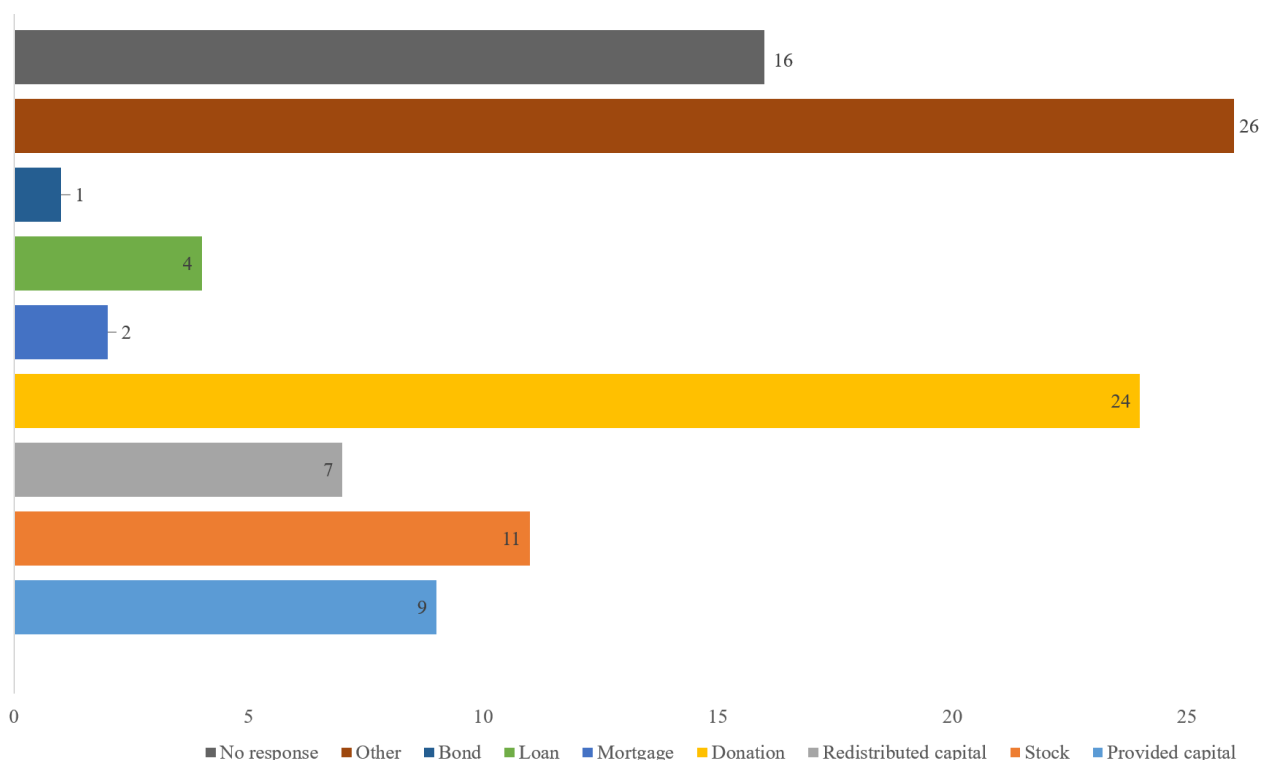


Fig. (1). Capital structure of social enterprises in Vietnam in 2019 (Source: Research on Current Status of Social Enterprises in Vietnam, British Council and Central Institute for Economic Management, 2019).

crafts (20%), Consulting-business support, and Tourism (18%). The average revenue of registered SEs was 1.7 billion VND in 2018, 2.6 billion VND in 2019. The average return was 18% in 2018 and 15% in 2019. For impactful businesses (including registered SEs), the primary revenue sources still came from the market, in which 71% of business revenue came from consumers, 60% from obtaining market from other enterprises, about 10% of revenue from the public sector. Moreover, 50% of these businesses prioritize distributing profits to capital contributors but reinvest in the enterprises for social goals⁴.

Social awareness about SEs in Vietnam is still limited. A sociological survey in Hanoi in March 2021 showed that respondents, including businesses, company employees, and economics students, had very little information or did not care much about SEs. The investigation comprised of two main questions: (i) Question 1: What do you know about SEs in Vietnam today; and (ii) Question 2: Please share the name of a business registered as a SE that you know of (Table 1). The survey results showed that many people did not know or misunderstood SEs (95.4%). The percentage of people completely unaware of the SEs in the Vietnamese economy ranges from 73.5% to 80%. Only 4.6% of participants knew about SEs. Moreover, many respondents (15-22%) confused SEs with businesses operating in public sectors such as electricity, urban lighting, water supply.

SEs in Vietnam is still relatively young, established mainly from personal ideas; thus, the initial investment capital is usually tiny. One survey on the asset structure of SEs in 2011 showed that self-capital of SEs accounted for 20.3%, 45.5% capital accumulated from production and business

activities, 5.3% from sponsorship. In addition, 28.8% of SE had their capital from other sources (such as bank loans, friends, and family), while this was an essential source of working capital for production and business development (Fig. 1)¹¹.

The survey results on social enterprise capital in 2019 show other changes (Fig. 1). In the past ten years, many start-up ideas under the model of SEs have appeared. However, the operation of SEs in Vietnam still faces many difficulties. According to the survey results of the Center for Social Entrepreneurship and Innovation (CSIE), only 68% of social enterprises would remain in operation until the end of the second quarter of 2020, and up to 95% of social enterprises would face the risk of bankruptcy if the pandemic lasts until the end of 2020¹².

In 2019, the British Council collaborated with the UK Social Enterprise Organization and CIEM to research the Status of Social Enterprises in Vietnam. The results show that SEs in Vietnam were diverse, vibrant, and developed. They also reported a new wave of start-ups for SEs in Vietnam. Vietnam’s SEs tended to work in labor-intensive industries, with relatively low skill levels and technological innovations

¹¹ Ha TTD (2015). *Developing social enterprises in our country today*. Journal of Political Theory, 3 (2015). Available at: <http://lyluanchinhtri.vn/home/index.php/thuc-tien/item/1259-phat-trien-doanh-nghiep-xa-hoi-o-nuoc-ta-hien-nay.html>

¹² Viet Quang (2021). “Find a way for social enterprises in the new situation”. Nhan Dan Online – The Central Organ of the Communist Party of Vietnam. 07 May 2021. Available at: <https://nhandan.vn/binh-luan-phephan/tim-loi-di-cho-doanh-nghiep-xa-hoi-trong-tinh-hinh-moi-644930/>.

Table 1. Results from Sociological Survey.

Respondents	Total	Results		
		Do not know	Wrong answers	Right answers
Question 1				
<i>Business employers</i>	100	65	23	12
<i>Government staff</i>	100	60	32	8
<i>Business employees</i>	100	82	16	2
<i>Common population</i>	100	74	25	1
<i>Economics college students</i>	100	85	15	0
Question 2				
<i>Business employers</i>	100	74	18	8
<i>Government staff</i>	100	82	15	3
<i>Business employees</i>	100	80	15	5
<i>Common population</i>	100	87	11	2
<i>Economics college students</i>	100	76	19	5

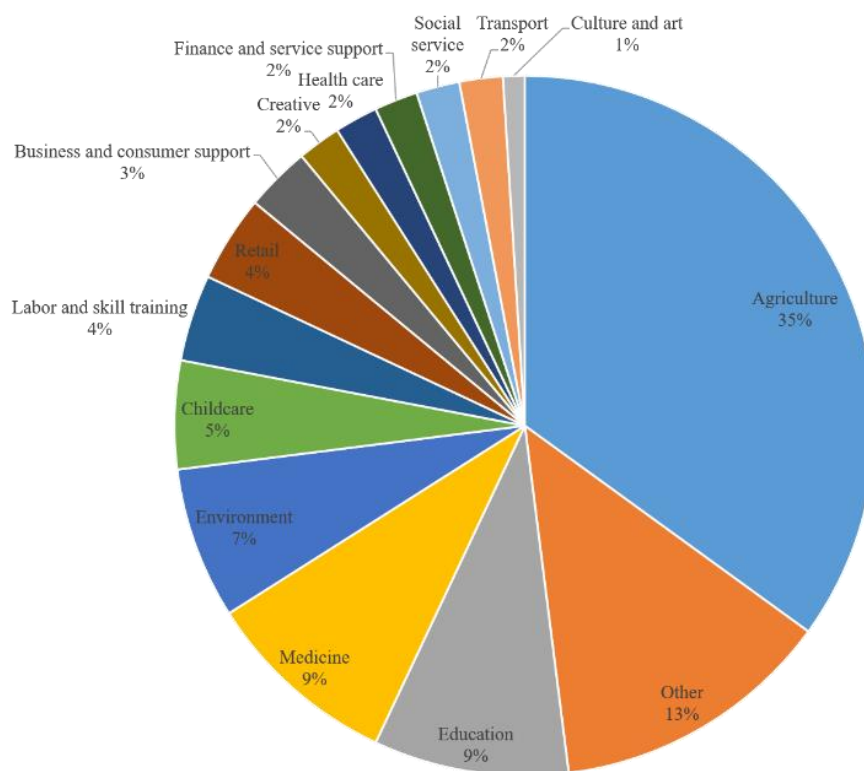


Fig. (2). Operating activities of social enterprises in Vietnam (Source: Research Report on Current Status of Social Enterprises in Vietnam, British Council and Central Institute for Economic Management, 2019).

(Fig. 2). The most popular field in which Vietnamese social enterprises operate included agriculture, accounting for 35%, then followed by health (9%), education (9%), and environment (7%). Small-scale social enterprises account for 40%, with revenue of about 1 billion VND. 19% of enterprises reported VND 1 to 5 billion revenue, and 23% had revenue of VND 5 to 25 billion; 12% of enterprises reported revenue of over 25 billion VND.

Currently, social enterprises are operating all over Vietnam but are not evenly distributed; 50% of social enterprises are based in Hanoi and Ho Chi Minh City, the remaining 50% are in other localities, mainly in rural areas. Social enterprises not only operate locally but also have ambitions to expand nationally and internationally. 30% of total social enterprises in Vietnam are operating in the national market, and 22% are active in the international market. Almost all social enter-

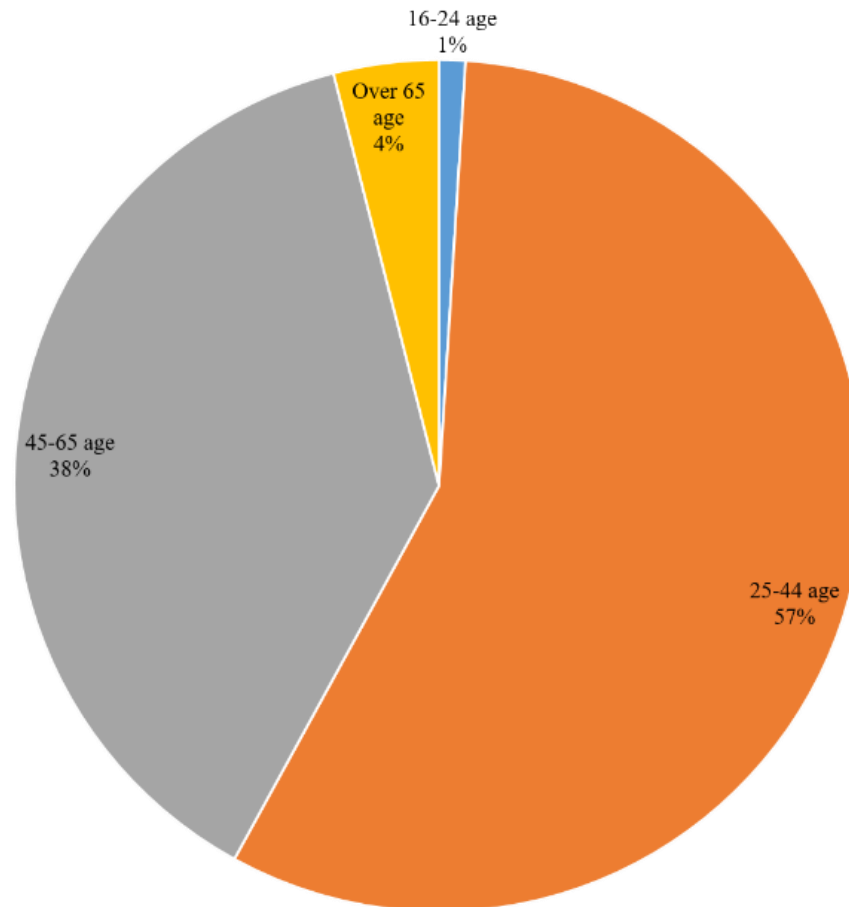


Fig. (3). Age distribution of social enterprises' owners in Vietnam (Source: Research Report on Current Status of Social Enterprises in Vietnam, British Council and Central Institute for Economic Management, 2019).

prises in Vietnam have a growth plan through the development and launch of new products or services. They are very progressive but at the same time face many barriers. However, with a relatively consistent mission with the goals of a socialist-oriented market economy, social enterprises in Vietnam have conditions to develop, create valuable values, and make meaningful contributions to economic development- society.

The team of leaders and founders of social enterprises in Vietnam is currently relatively young (Fig. 3). 35% of enterprises participating in the survey have only been in operation since 2015, mainly led by young people. People lead most social enterprises with high education, of which 70% of the leaders have university or bachelor degrees. Nearly 50% of social enterprise leaders are women.

There are various legal forms of social enterprises. Some are registered to operate as SEs following the Law, while the others are considered average private enterprises. In addition, some activities operate in the form of cooperatives or other forms (Fig. 4).

In terms of human resources, 99% of SEs in Vietnam recruit female employees, 74% employ workers from disadvantaged groups, and 90% hire local employees. The occupations recruiting more than 51% of female employees include culture

- art - lifestyle, handicrafts, skill developments education, tourism, non-agricultural livelihoods, consulting - business support. Up to 85% of SEs in the Information & Communication Technologies recruiting more than 10% of female employees, 44% of SEs in the field hiring more than 51% of female employees. There are 74% of SEs employing workers from disadvantaged groups, of which 28% employ more than 51% of workers in this group, including disabled people, ethnic minorities, and the poor. SEs that employ many disadvantaged workers concentrate on handicrafts, non-agricultural livelihoods, agro-fishery, and community-based tourism. 90% of SEs recruit local employees, of which 53% of them employ at least 51% of local workers¹³. In 2018, most of the SEs in Vietnam generated a profit (Table 2 and Table 3). More than 60% of surveyed companies reported that they made a profit for the year in 2018, while there were 6% of them breaking even and only 10% of the total suffered losses. Thus, although the business scale of SEs is usually tiny and micro, statistics illustrate that more than 70% of social enterprises still operate effectively and profitably.

¹³ National Economics University, Proceedings of the national scientific conference, The role of the social enterprise sector in social development, Labor Publishing House, Hanoi, Aug 2020

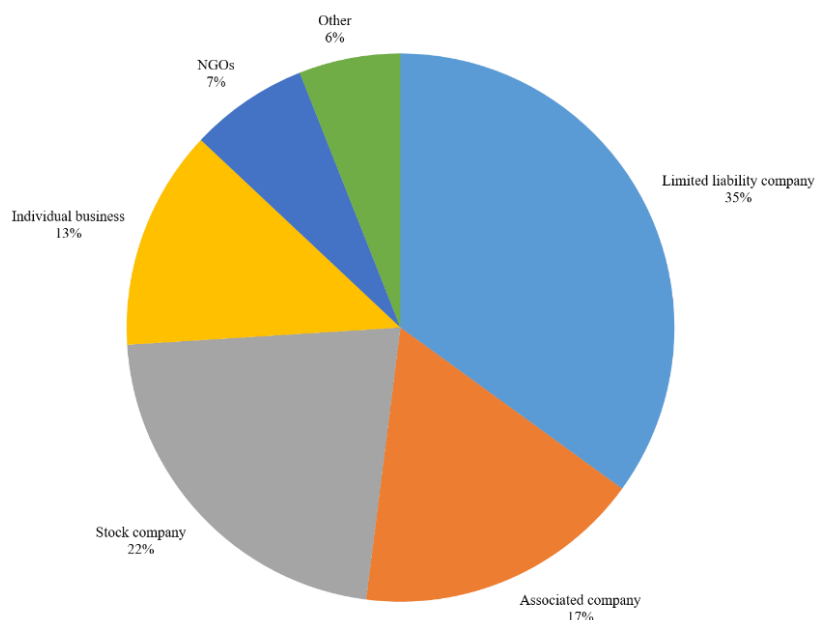


Fig. (4). Legal entities of social enterprises in Vietnam (Source: Research Report on Current Status of Social Enterprises in Vietnam, British Council and Central Institute for Economic Management, 2019).

Table 2. Revenue of social enterprises in Vietnam in 2019 (Source: Research Report on Current Status of Social Enterprises in Vietnam, British Council and Central Institute for Economic Management, 2019)

Revenue (billion VND)	Percentage	Revenue (billion VND)	Percentage
> 300	1%	5 - 25	23%
100 – 300	2%	1 – 5	19%
50 – 100	4%	< 1	40%
25 – 50	5%	NA	6%

Table 3. Performance of social enterprises in Vietnam in 2018 (Source: Research Report on Current Status of Social Enterprises in Vietnam, British Council and Central Institute for Economic Management, 2019)

Status	Percentage
Profitable	76,1%
Bankrupted	6,2%
Unprofitable	10,3%
NA	7,4%

DEVELOPING SOCIAL ENTERPRISES IN THE SOCIALIST-ORIENTED MARKET ECONOMY IN VIETNAM

SEs in Vietnam are presently in the early stages of development; the number and scale are still minimal compared to the fiscal spaces. Nevertheless, under Vietnam's current socio-political climax, the aim and principle of SEs are to perform

practically and effectively, in line with the development goals of Vietnam's socialist-oriented market economy¹⁴.

Vietnam currently has thousands of Community organizations, Philanthropic Organizations, and Non-profit Organizations established in various forms and are operating for social goals. All organizations can transition to the social enterprise model. The survey in 2018 of the Centre for Social Initiatives Promotion and the Tia Sang Social Enterprise

¹⁴ National Economics University, Proceedings of the national scientific conference, The role of the social enterprise sector in social development, Labor Publishing House, Hanoi, Aug 2020

Development Centre depicted that Vietnam currently has about 200 SEs, of which 68% are making an effort to reduce poverty 48% are performing with the environmental goals. The number of business enterprises creating social impact accounted for about 4% of the total number of enterprises in the country. More than 26,500 organizations want to operate as SEs. More than 20 organizations have programs to incubate, accelerate development, or provide financial support to businesses and business initiatives that make a social impact, contributing to a dynamic and diverse ecosystem and actively supporting the development of social enterprises.

However, as for the public perception, there is always a clear distinction between commercial activities for-profit and society and non-profit. SEs are often misunderstood and doubted about social goals when operating in businesses, which are the specific barriers to SEs. It is often seen that the reluctant attitude appears in cooperation between SEs and organizations, agencies, or authorities. These organizations usually hesitate to cooperate with SEs because they feel anxious about the others saying they do for commercial purposes. The Enterprise Law has stated the concept of SEs. However, there are no specific regulations or criteria for considering and recognizing organizations and enterprises as SEs.

In terms of the political and legal environment, the Party, State, and the Vietnamese political system are currently encouraging, cheering, and supporting SE in working with humanitarian goals towards social development. The encouragement also comes from the Vietnamese people's tradition of caring and helping each other when they are in trouble or difficulties. In addition to the State's legalization of SEs, the Party's policies and guidelines encourage the development of enterprises for the sake of the community, sustainable development, and environmental protection. The document of the 13th Party Congress clearly stated that: Arousing the desire to develop a prosperous and happy country, which has a high level of self-reliance and the ability to promote the strength of the significant national unity bloc to build and protect the country—optimizing the human capital, taking people as the center, the main subject, the most crucial resource and the goal of development; innovating and developing appropriate and effective forms of production organization; striving to complete the goals in a short time following the 2030 Agenda for Sustainable Development. These are the necessary political and legal bases for the development of SEs in the socialist-oriented market economy in Vietnam. Hence, practical conditions, political and legal conditions in Vietnam are advantage factors for social enterprises to develop. In order to make the social enterprise model really become an appropriate sector supplementing to the socialist-oriented market economic model, avoid deviations in development, the State, people and the social enterprises themselves need to have basic and long-term orientations for this business model.

(1) First of all, in terms of the common perception, the State and society need to promote awareness of the valuable role and valuable contribution of the SE model in sustainable development, economic development in combination with social equality, strictly following the principle of socio-economic development that Vietnam initiated, which is inclusive development and leaving no one behind. Because of society's incomplete awareness about the position and role of

SEs, SEs have to face many difficulties in their recent performance. In the socialist-oriented market economy in Vietnam, SEs should be considered as complementary businesses for the State and the business community in the socio-economic development. SEs create more equitable development among the three pillars: The State, the market, and the Society. In addition, SEs also develop and encourage social initiatives and contribute to raising awareness and consciousness of community and society about the social issues. Enterprises bring many direct benefits to society, such as serving the community, primarily serving the lower social class and the disadvantaged groups. These are the positive features of SEs that the State and society need to recognize and promote. The State can mobilize the political system, especially socio-political organizations, to participate in propaganda campaigns for social enterprises. The current political system in Vietnam is managing a system of social protection centers and public units performing public utilities, welfare. Those organizations use budget capital to maintain operations without using the organization's ability resource utilization to generate revenue for the organization's social activities. These are the organizations that can transform into SEs.

(2) In Vietnam, there are numerous initiatives for start-up in the model of social enterprises by young people, women, and disadvantaged people. They have business initiatives towards solving social problems to expect that their special status can receive investment support from the State and society to establish and develop social enterprises. However, they establish SEs when they have lack resources to operate. This mistake leads to the current situation in which SEs in Vietnam is gradually declining, established but unable to operate. The quality and effectiveness of SEs are lacking, which quickly leads to deviation from the target, losing society's trust in the goals of SEs. Besides the business ideas, it needs many conditions to make SEs operate, survive, and develop. Therefore, individuals and organizations that want to establish a social enterprise need to be proactive and prepare material resources for the operation of social enterprises. Because the nature of the operation of SEs is not to maximize profits, it cannot usually attract investment from the economy. Activities of SEs are complementary to the State, which means that those organizations support the State when the State does not have enough resources to solve the problems ineffectively or at all.

Therefore, SEs cannot wait for direct investment from the State. Instead, the State only supports policies, administrative procedures, and non-physical resources within the scope of Law. This practice creates a significant bottleneck in the establishment and development of SEs in Vietnam. The precondition for establishing SEs is that the subjects need to prepare the resources to solve social problems. In the operation process, they can receive more resources from the support and contributions of the community and the profits from the business's activities. Currently, Vietnamese SEs are going opposite to this process. They only have ideas about social problems, have business solutions but do not have enough or no resources to implement, making them have to wait or depend heavily on other social investors or State subsidies, which goes against the spirit and nature of SEs. The founders of SEs in Vietnam need to change their thinking

immediately; if they "just think" that their social enterprises are helpful but do not have the resources to implement, the "useful value" cannot become a reality. SEs need to apply self-help and self-improvement in building and developing SEs, proactively preparing resources for businesses to operate. This responsibility is placed on the business team and the state management system at all levels.

(3) The State needs to create a more specific legal framework for SEs to develop. In addition to promulgating legal documents to manage the SE model, avoiding deviations, misdirection, wrong purposes, and taking advantage of the SE model for illegal profit, the State has to have supportive policies for the social enterprises in terms of taxes, land use costs, energy, science and technology applications, flexible financial policies and social security policies such as social insurance, health insurance. Moreover, they need to prioritize SEs to supply goods that belong to the State bid, based on meeting the criteria of quality, price, transparency, and publicity. Furthermore, the State also needs to prioritize and support promoting SEs' image of products, services, and goods. Prioritize and create favorable conditions for SEs to operate in appropriate business fields to help SEs compete in the economy is another supporting idea that the State can do.

(4) The main reason Vietnamese SEs often go to the international market, as mentioned above, is not because of benefits or profits or high-level technology; it is because the products of SEs are hard to compete in the domestic market. People still discriminate against SEs' products and services due to fear of being exploited, buying counterfeit goods, or buying products at high prices when those can meet people's demands. Therefore, SEs instead need to reach out to the international market and go through foreign charities, programs, non-governmental organizations, and non-profit organizations. SEs themselves cannot go straight to the international market, which is not the right direction of sustainable, long-term development. The State, the people, the business community, and the whole society need to have positive perceptions in being more tolerant towards the products of SEs, specifically the products made by the weak, disadvantaged and disabled. Actively participating in supporting SEs is a practical action to join hands to solve social problems. For SEs providing products and services, it is necessary to pay attention and respect people's demands, not to rely on the position of social enterprises to force people to use poor-quality goods or services.

(5) The State manages and operates a system of relief centers belonging to professional associations, cooperative alliances, patronage centers under the Ministry of Labor, War invalids and Social Affairs, and socio-political organizations such as Trade Unions, Veterans, Women, Farmers. These organizations have the same goals as SEs but operate under different modes whose budget is from aid and charity sources. The performances of these organizations are currently inefficient, unable to take advantage of infrastructure, human resources, and especially promote the social values that the State and society recognize them. Therefore, the State needs to boldly transform the model of these organizations into SEs by investing resources, helping organizations operate following the model of SEs, then giving them to organizations and individuals to manage and operate in the SE model. The trans-

formation can perform in the form of capital transfer, capital sale, capital stock tax, then let social enterprises operate independently, following the principles of registration purposes.

ABBREVIATIONS

CIEM = Central Institute for Economic Management

SEs = Social enterprises

CONFLICT OF INTEREST STATEMENT

The authors declare that they have no conflict of interest.

REFERENCES

- Communist Party of Vietnam, Official Documents of the 13th National Congress of Deputies, National Political Publishing House, Hanoi 2021.
- National Economics University, Proceedings of the national scientific conference, The role of the social enterprise sector in social development, Labor Publishing House, Hanoi, Aug 2020.
- National Economics University, British Council (2012), Proceedings of the Scientific Conference "Developing Social Enterprises through Universities in Vietnam", National Economics University, Hanoi 2012.
- CSIE (2019), The status of social enterprise development to meet the requirements of social development in Vietnam, State-level research project KX.01.44/16-20.
- Vietnamese National Assembly, Law on Enterprises No. 59/2020/QH14. 17 June 2020.
- Vietnamese National Assembly, Law on Enterprises, No. 68/2014/QH13. 26 November 2014.
- Vietnamese Government, Decree No. 96/2015/ND-CP dated October 19, 2015 detailing a number of articles of the Enterprise Law 2014.
- Ministry of Labor, Invalids and Social Affairs, Decision No. 1052/QĐ-BLĐTBXH dated July 29, 2019 on announcing the results of the review of poor households and near-poor households in 2018 according to the multi-dimensional poverty line applied for the period. 2016-2020.
- Chu TTA, Pham TH, Supervision of social enterprises under UK law and some proposals for Vietnam, Jurisprudence Journal 01/2017.
- Dang HTN (2019), Social Enterprises in Vietnam Today: Current Situation and Solutions, Economic and Forecast Magazine, No. 30.
- Vu THN (2015), Completing Vietnam's legal regulations on social enterprises, Jurisprudence (3).
- Nguyen TL (2012), Development potential of social enterprises in Vietnam, National Economics University, Hanoi.
- Nguyen TL (2015), Social enterprise, solutions to compensate for the market's shortcomings, Tia Sang Magazine - Ministry of Science and Technology, Hanoi.
- Nguyen VQ (2018), Nature and mission of social enterprises, Journal of Democracy and Law, 11 (320).
- Khoa AT (2019), Some solutions to strengthen state management for social enterprises, Journal of State Management (277).
- Truong TT et al (2018), Promoting the development of the social impact business sector in Vietnam, Industry and Trade Publishing House, September 2018.
- Phan TTT (2015), Legal form of social enterprises: British experience and some suggestions for Vietnam, Science Journal of Vietnam National University, 31(4).
- Nguyen TY (2015), Social enterprises and solutions to develop social enterprises in Vietnam, Vietnam Law Journal (11).
- Central Institute for Economic Management, National Economics University, British Council, Typical social enterprises in Vietnam, Hanoi 2016.
- Central Institute for Economic Management, British Council, Social enterprises in Vietnam, concepts, context and policies, Hanoi 2012.
- Nguyen TDA, Status of organization and operation of social enterprises in Vietnam in recent times, Industry and Trade Magazine, 08 Aug 2020, Available at: <https://tapchicongthuong.vn/bai-viet/thuc-trang->

- to-chuc-va-hoat-dong-cua-doanh-nghiep-xa-hoi-o-viet-nam-trong-thoi-gian-vua-qua-73182.htm
- National Economics University, UNDP (2018), Promoting the development of the corporate sector with social impact in Vietnam, Hanoi 2018. [Cited at 18 Dec 2018]. Available at: http://www.vn.undp.org/content/dam/vietnam/docs/Publications/Foster%20SIB%20Sector%20in%20Vietnam_V_ebook.pdf.
- Tran Ngoc Tu (2017), On corporate social responsibility in the current context, *Financial Review (Online)* October 23, 2017. Available at: <http://tapchitaichinh.vn/nghien-cuu-trao-doi/ve-trach-nhiem-xa-hoi-cua-doanhnghiep-trong-boi-can-hien-nay-130646.html>.
- British Council (2019), Social Enterprise in Vietnam. Available at: <https://www.britishcouncil.vn/sites/default/files/social-enterprise-in-vietnam.pdf>.
- European Commission (2015), A Map of Social Enterprises and their Ecosystem in Europe. Luxembourg: Publications Office of the European Union.
- Robert T. Esposito (2013), The social enterprise revolution in Corporate Law: A primer on emerging corporate entities in Europe and the United States and the case for the Benefit Corporation, *William & Mary Business Law Review*, Vol. 4: 639- 714.
- Janelle A. Kerlin (2006), Social Enterprise in the United States and Europe: Understanding and Learning from the Differences, *Springer*, Vol.17: 247- 263.
- Laura Scheiber (2012), Social Entrepreneurs in Rio De Janeiro: Learning Experiences and Social Capital, Columbia University.

Received: Oct 02, 2021

Revised: Oct 13, 2021

Accepted: Feb 22, 2022

Copyright © 2021– All Rights Reserved

This is an open-access article.