

EXPLORING THE CIRCULAR ECONOMY EMBEDDED IN THE BUSINESS MODEL. THE PERSPECTIVE OF VIETNAM

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ABSTRACT. The Covid-19 pandemic has exposed the leadership inability of the head of several states. This is also an occasion for countries' policymakers to reconsider policies regarding priorities for policies. Combining with the COP26 conference after the beginning of the new normality, where policymakers gathered for initiating collective actions to tackle climate change. This event turns out that requires collective action in the private and business sector in handling sustainability. These events play very crucial factors in paving the way for the increase of competitiveness in the market through a more sustainable business model. The circular economy is a recent tendency of developed countries while implementing policy within these criteria. The approach of the Environment, Social and Governance report indicator (ESG) is not new and a favorable option for many multinational corporations including small and medium-sized enterprises in several developed countries. ESG is expected that investors and policy-makers would evaluate firms regarding sustainability. It is to say that ESG will be a factor in the process of shaping the global circular economy. However, enterprises in developing countries might take slow progress in this regard, especially in Vietnam. The dissemination of the circular economy is somewhat slow. Vietnam is gradually employing this economic model. And firms operating within the country are being encouraged to

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shift their linear business model to a circular economic business model. Vietnam's government is making its effort to pave the way for more sustainable economic development by raising awareness of the circular economy, ESG, and sustainable business. Based on the exploratory research, this paper uses web content analysis, secondary sources, and literature research especially the national policies to revise the perspectives of the government and firms. Moreover, this paper should view the development trend of the circular economy in Vietnam. This paper will investigate the situation in Vietnam by analyzing national reports and policies. Several enterprises implementing the circular economy model will be taken under consideration regarding their direction and how they perceive it.

Keywords: Circular economy, business model, shared values creation, Vietnam, policy implication

JEL classification : Q56, F16, M14, Q01

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INTRODUCTION

The circular economy model has received more attention in recent years from nations across the world. The knowledge-based economy differs significantly from the conventional linear economy in its approach, even though the two terms are used differently. In the linear economy, resources are wasted, which causes the depletion of today's natural resources. Vietnam has achieved its socioeconomic progress, but it is also struggling with issues like resource scarcity, pollution, and climate change. Vietnam is heading toward the processes of urbanization, population growth, and industrialization. Nonetheless, there is a slow and steady economic paradigm shift from the linear economic model. Substantial alterations in the way of production and utilization of goods and materials and disposal are required when thinking about how present

production and consumption systems are to be converted into sustainable ones (Ness, 2008). It is founded on constant growth and material extraction, which has severe adverse effects on the “environment and resource availability”(Vermunt et al., 2019). Climate change is expected to affect two of Vietnam's most important export sectors - industry and agriculture - as well as trade-related logistics and transport infrastructure (World Bank, 2022). Vietnam's Prime Minister, Pham Minh Chinh, reaffirmed his commitment to join the global effort to combat climate change during the COP26 conference held in Scotland. However, companies in Vietnam might take slow progress in this regard. Thus, Vietnam should ultimately take the responsible initiative to address global issues for enhancing economic competitiveness and a conscious society. Local companies are not aware of the necessity of forming a circular economy embedded in the business model. Vietnam must put an emphasis on developing a circular economy to tackle the conflict between economic progress and environmental conservation and communicate with local companies (Tri, 2021).

Recently, the circular economy has captured the attention of policymakers. Schroeder et al. (2019) claimed that the definition of Circular Economy has not been formed in a universal common ground. While the European Environment Agency or EEA (EEA, 2016) conceptualized the circular economy that “the concept can, in principle, be applied to all kinds of natural resources, including biotic and abiotic materials, water and land. The factors that could drive the effectiveness of a circular economy include “Eco-design, repair, reuse, refurbishment, remanufacture, product sharing, waste prevention, and waste recycling” (EEA, 2016). The Circular Economy concept was deprived as an economic model that turns the waste output of one industry into an input resource of another industry or circulating within an enterprise itself. From this point, the Institute for Circular Economy Development (ICED) of Vietnam claimed that the circular economy partly contributes to the increase in the value of businesses while bracing for the reduction of resource exploitation, waste treatment expenses, and environmental pollution. From an academic point of view, the circular economy is regarded as an economic model associated with sustainability, production, and consumption while considering the improvement of societal well-being and the effective use of energy resources (Tapaninaho & Heikkinen, 2021). In the same vein,

the shift from a conventional linear business model to circular business model results in not only financial benefits but also societal and environmental benefits (Lewandowski, 2016). After Covid-19 and the urgency of energy resources, Velenturf & Purnell (2021) have pushed forward the adoption of a circular economy business model within enterprises. This would lead to a shift from the conventional business model to the more circular and sustainable one (Palmié et al., 2021). Nevertheless, the appearance of businesses that introduce this type of business model is very limited. Thus, looking at the Vietnam Circular Economy Hub, which is an initiative of the Institute of Strategy and Policy on natural resources and Environment and the United Nations Development Programme the establishment of a specialized hub. This hub was in charge of the dissemination of circular economy with knowledge and project bases creating a forum for businesses and society. They have been working and studying with several companies capturing this trend of economics. These companies were listed in the subsection “partners and network”. This paper would analyze the understanding and the employment of circular economy and other relevant factors from either business or governmental actors. From that point, a context of Vietnam when exploiting the circular economic model would be visible. This study analyses the government’s approaches toward this economic model and how it would help encourage businesses to embrace the circular economy embedded in their business model. The finding is expected to contribute to the research on the circular economy from the perspective of a developing country which is Vietnam in the process of upgrading to an upper middle-income country.

LITERATURE REVIEW

Circular economy

Closing material loops through resource reduction and recovery in the process of both manufacturing and consumption is the goal of the circular economy (CE). Multiple research projects have examined the ways in which CE benefits the environment while assisting businesses in developing new business prospects (Chen, 2020). CE aimed at taking the

place of the conventional open-ended economic model which is centered around the linear basis of the production and consumption model. This traditional model is the popular model where raw materials engender final products and they become wastes after being consumed (Geng et al., 2012). CE has many definitions depending on the approaches and the school of thought (Nikolaou et al., 2021). Throughout many empirical studies on the definition of the CE and its theoretical and practical frameworks, Kirchherr et al. (2017) claimed that there were 3 dimensions that scholars focus on economics, society, and environment. Ghisellini et al. (2016) stated that there were many misconceptions about defining circular economy by the only waste management approach, meanwhile, the economic model takes care of societal and economic healthy resources and being. The importance of the CE has been raised globally and more deeply recently after several events such as the energy crises, the devastation of the environment, etc (Barrie & Schröder, 2022; Lieder & Rashid, 2016). Velenturf & Purnell (2021) argued that despite the hard promotion of CE in society, there have been many controversies so far, they also reminded their audiences about the drawback of this economic model if mis-conceptualization happens. In this sense, the environmental factor is the ultimate driver of the CE (Nikolaou et al., 2021; Velenturf & Purnell, 2021). CE can contribute to sustainable development as well as devastate it if these two terms are separated (Nikolaou et al., 2021; Velenturf & Purnell, 2021). Concerning the principles of the CE, the 3R principles stemmed from the 3Rs initiative proposed by Japan's Former Prime Minister Koizumi at the G8 summit (Ministry of Environment, Government of Japan (2004). Since that day, the 3R principles (reuse, recycle, reduce) were used by most scholars, especially in the Vietnam context where the circular economy is emerging (Nguyen et al., 2020; Hai et al., 2019). However, the set of principles changes over time. This was due to the limitation of the 3Rs principles. Scholars claimed the CE goes beyond the notion of the 3Rs such as product design or efficient waste ecosystem, etc, to minimize environmental impact while maximizing the economic benefits (Geisendorf & Pietrulla, 2017; Ghisellini et al., 2016). The Waste Framework Directive issued by European Commission added one more R which was "recovery" (European Commission, 2008). Scholars like Potting et al. (2017) framed the 9R principles to measure the circularity

of business. These uncommon principles confuse countries and businesses. There is much literature conducted on the CE and many issues and relevant factors around it. Recently, developing countries like Vietnam are focusing on disseminating the CE and implementing policies to associate the CE with the development strategy. However, it seems that the country is approaching this economic model by integrating environmental management issues, and sustainability into new related policies regarding economic development. By putting emphasis on the economic and sustainable dimensions, it is also, according to scholars, an approach to the CE (Schroeder et al., 2019; Pieroni et al., 2021). It is understandable that the principle of the 3Rs was mostly utilized in Vietnam as the country is in the initial stage where policymakers, the government, and other related institutions have to disseminate the CE notion (Nguyen et al., 2020). This perception means the 3Rs are suitable for the country at this stage where firms and other relevant stakeholders such as consumers and suppliers, etc could comprehend the notion and enhance the use of the CE in the future.

The circular economy business model

Geisendorf & Pietrulla (2017) claimed that most of the CE-related studies apprehend the CE as an approach toward the construction of a new business model. In this sense, firms also need to focus on integrating CE-related value creation, delivery, and capturing the value proposition in their business model (Chen, 2020). The circular economy business model has been adding many demands for policymakers, practitioners, and businesses leaders regarding its complexity, variables, and structure (Pieroni et al., 2021). Controversy is still existing strongly regarding how to define the circular economy business model (CEBM). Several factors were considered essential for the CEBM such as the consumers' behaviors, types of products, manufacturing process, technological advancement (Linder & Williander, 2015). While Vermeulen (2015) indicated more macro factors which decide the companies' change of business model such as regulation, consumption, type of energy, the assessment of the impact on the environment, etc Vermeulen (2015). The business model is usually used to form the business strategy of firms. It also serves as a guideline to define the competitive factors for racing with other foe

companies, building relationships with suppliers and partners, etc. Hence, those factors defined by either Linder & Williander (2015) or Vermeulen (2015) could be regarded as the competitiveness of firms in the context where the CE is mainly focused. In the CE, the traditional business model would be shifted to the CEBM integrating the CE principles with the value proposition (Geissdoerfer et al, 2020; Linder & Williander, 2015; Pollard et al., 2023). In the same vein, CEBM is constructed based on the traditional linear business model with the enhanced feature of the CE-related value chain to seize the opportunities within the section of value creation and proposition (Pollard et al., 2023). From the perspective of management consulting companies, there are several models which have been approved for the more circular economy by studying several case studies implemented by both Accenture and the OECD in 2014 and 2019 such as “Circular Supplies”, “Resource Recovery”, “Product Life Extension”, “Sharing Platforms”, and “Product as a Service” (Accenture, 2014; OECD, 2019). Jensen (2022) published his article at the World Economic Forum where the scholar mentioned the same approach of the business model towards circular economy justifying the appropriateness of the models such as “Circular inputs”, “Sharing economy”, “Product use extension” and “Resource recovery”. Meanwhile, the institutions expressed their perception with additional characteristics for CEBM. For instance, the Ministry of Economic Affairs and Climate Policy of the Kingdom of Netherlands (2022) formed its guideline for businesses to implement the CEBM mentioning “Resource models”, “Design models”, “Lifetime extension models”, Platform (sharing) models”, “Product-as-a-Service models (PAAS)”, “End-of-Life models”, “Lifecycle models”.

THE METHODOLOGICAL APPROACH

This paper will use the comparative analysis and explore studies from existing research such as policy documents to understand the situation in Vietnam and where the country is progressing in this field. Reports from companies as references for implication for the formation of a circular economy embedded in the business model. For the discussion of corporations’ behavior, the author used the database from the Vietnam Circular Economy Hub (CE Hub). Specifically, the companies

which had profiles in the section “nghiên cứu điển hình” (case study) would be used as a case for web-content analysis. In this sense, the section which would be selected in the companies’ website is “về chúng tôi” (about us), or in some cases, they would be in the section “giới thiệu” (Introduction). In order to justify the direction and vision of the companies, a coding scheme was built. These data would be used to analyze generally the direction to see whether these companies are moving toward sustainable development. Moreover, companies’ report such as Saigon Asset Management and PwC, needs to be taken into consideration to evaluate the readiness for a circular economy or sustainable development. However, there was a limitation to this analysis. First, several companies listed on the CE Hub have not launched their website, so the reliability could be reduced. Hence, the author only chose those firms listed below that have a website to analyze. Moreover, because this study is aimed at firms operating in Vietnam, the language should be in Vietnamese attaching a translation. Hence, the author would dig deeper into these companies to analyze their approach to the circular economy, mainly focusing on the 3Rs principle (Potting et al., 2017). A coding scheme with codes is described below.

Coding scheme

No	Theme	Code translated into English	Code in the original language
1.	Sustainable development	Green, clean, environment, sustainability, carbon, circular economy, improving, (circular)	“Xanh”, “sạch”, “môi trường”, “bền vững”, “kinh tế tuần hoàn”, “cải thiện”, “tuần hoàn”.
2.	Environmental protection	climate change, pollution, Safety, garbage, nature	“biến đổi khí hậu”, “ô nhiễm”, “an toàn”, “rác”, “tự nhiên”.
3.	Societal contribution	goods, (society), healthy, employment, solution, awareness, community	“sản phẩm”, “xã hội”, “sức khỏe”, “việc làm”, “giải pháp”, “nhận thức”, “cộng đồng”.

This coding scheme was created to analyze the approach to the sustainability of these companies to capture the possibility of combining principles and value creation. National policies will be used to analyze the accountability and affectability related to the government. Moreover, the this paper analyzed the companies’ strategy through the models proposed by Accenture (2014) and the Ministry of Economic Affairs and

Climate Policy of the Kingdom of Netherlands (2022). From this way, this study could offer an insight of the firms' behaviors towards the CE and how they adopt this notion to their business model.

RESULTS AND DISCUSSIONS

There are several articles that attempt to evaluate the amount of progress of the circular economy in businesses from various economic sectors employing unique metrics. This indicator helps demonstrate to governmental authorities and stakeholders how consistently the development and operational organization of the circular economy is proceeding in companies. However, Vietnam is still lagging in this context as the definition of circular economy is not in a common line. Vietnamese policy is not identifying clear criteria to assess a company operating in the country. Hence, a communal CE embedded in the business model should be addressed as the first step for companies to follow. Regarding principles of circular economy as a guideline for business and policymakers. There are more added variations to the original one. The R principles might vary, depending on the situation of the country. In the research of Reikea et al. (2018), they found out that there was interchangeable use among these R principles. However, scholars pointed out that these principles do not include the value-oriented model. This is to say that government should create a favorable mechanism and policy supporting the combination of values of businesses and society. In return, companies should account for the strategy for value creation and retention. Accenture (2014) has outlined the value creation of a circular economy including four key points: "lasting resources" hinting at regenerable resources, "liquid markets" implying the accessibility of products, "long life cycles" referring to long-lasting products, and "linked value chains" contributing to zero waste from production (Accenture, 2014). This company also posed the percentage indicating the value which is respectively 40%, 10%, 30%, and 20%. Nevertheless, it is still dependent on the industry to define the rate of values (Accenture, 2014). In Vietnam, there are pioneer companies that are applying sustainable business methods from the inside. This could consist of Green Joy, Galaxy Biotech, Mitix Group, etc. These cases are

pioneers; however, they have a different perspective on the “green business” model applying the circular economy. It is very hard to measure the success rate of the model. This paper will dig deeper into these models and analyze if it is comparable to models proposed by institutions and consulting corporates.

Firms' Behaviours

The 26th Conference of the Parties on the United Nations climate convention, which was well-known as the UN Climate Summit with the participation of nearly 200 countries. This conference marked the 4 common goals to tackle climate change which are the mitigation of CO₂ emissions, assistance to countries influenced by climate change, financial aid for environmental the purpose, and collaboration among member countries and other stakeholders to cope with the global crises (The COP26 Presidency, 2021). This conference was a milestone for Vietnam when the country had made a very strong commitment to achieving zero CO₂ emissions by 2050 by decarbonization, halting completely deforestation by 2030, and the use of coal energy by 2040 respectively. Vietnam is still in the process of industrialization and is classed as low middle-income country. Although the government is targeting the upper middle-income country position for Vietnam, it is still doubtful that the country would achieve the commitment. However, the commitment is applauded by other developed countries, and they are willing to aid financially for the country. The Vietnamese government has been preparing for years before the commitment with several promulgated directives and policies which would be discussed in the section below. Many indication systems were set up such as the Sustainability indicators for the stock market, the ESG Report indicators for firms, etc. Firms in Vietnam regardless of their nature, in that respect, are obliged to the policies and transition their conventional business model to new business model gradually. This section would help comprehend the perspective of firms in the current context. After COP26, several firms are switching their business model by applying the “sustainable” factor to it. We could observe changes in their approaches, production processes, or incentives for new green products. Vietnam's Circular economy hub comprised its partner companies which have their vision and strategy to develop the business

to the circular economy orientation. This study did some research on several firms which have a website for web-content analysis to justify companies’ green or circular economy embedded business.

Table 1. Selected Firms Vietnam Circular Economy Hub

No	Company	Product	Approach	Business model
1.	Green Joy	Home decoration Dining utensils Grass Straw	This firm uses green materials to produce goods with a business model oriented to sustainable development goals. The production is a closed process assured by the firm with a low ecological footprint. The strategic product is grass straw, these straws would decompose easily.	Circular supplies, resources recovery
2.	Refill	Packaging	This firm is using the same orientation as Green Joy toward the sustainable development goals of the UN. The firm mentions the circular economy in its statement of business model. A closed-loop business is based on reusing bottles to reduce plastic waste.	Circular supplies, resources recovery
3.	Heineken - Vietnam	Beverage - Beer	Heineken Vietnam directs its business toward sustainability by contributing to societal contribution and environmental protection. It is clear that this firm utilizes an intensive circular economy embedded business model from product processing and packaging to recycling of waste and reduction of CO2 emission in logistics and storage.	Circular supplies, resources recovery, circular design
4.	Lasuco	Sugar from canes	Sugar was made from cane. Waste like bagasse was used to produce electricity.	Circular supplies, resources recovery, circular design

No	Company	Product	Approach	Business model
5.	Galaxy Biotech	Packaging	Producing bio bags by natural compositions.	Circular design, circular Supplies
6.	HG FARM CO., LLC	Agriculture	Circular agricultural model for goods such as Mushroom-Cow-Duck-Rice-Electricity.	Sharing platform, resource recovery.
7.	Nestlé Vietnam	Food product	The corporate established its brand as a corporate promoting a circular economy. Nestlé Vietnam put 3 principles which are reducing waste and pollution, enhancing the ecosystem, and forging the product life cycle. Hence the 3R model is integrated.	Circular supplies, resources recovery, design models
8.	Mitix Group	Food product	3R principles were applied clearly. After harvesting and selecting coffee beans for producing coffee products, the firms used the skin of coffee berries to add flavour to cascara tea. Other wastes were used for other products like packaging and fertilizer.	Circular supplies, resources recovery,

Source: compiled by the author

Table 1 has demonstrated the iconic companies, most of them are large in size of the company, leading to creating sustainable approaches to their business models. This is to note that among these companies, the leading companies leading in the manufacturing process are those with international related brands like Heineken Vietnam or Nestlé. These companies use the 3R principle to apply to their production process to make it more sustainable. The other companies as symbols in industries have the same approach to the circular economy model whereas companies embed the model like 3R in their operational process. Most companies apprehend the business models which are circular supplies and resources recovery (see Table 1). They replace their single use input by more circular and recyclable inputs. Moreover, the wastes from the production process would be utilized for other products or share to other companies. From this perception, the diversification of products is one

approach which assist companies in handling the wastes. Companies is perceiving that sustainability as their approach to capturing value creation for society and the environment. These companies usually integrate their CEBM into their sustainability plan.

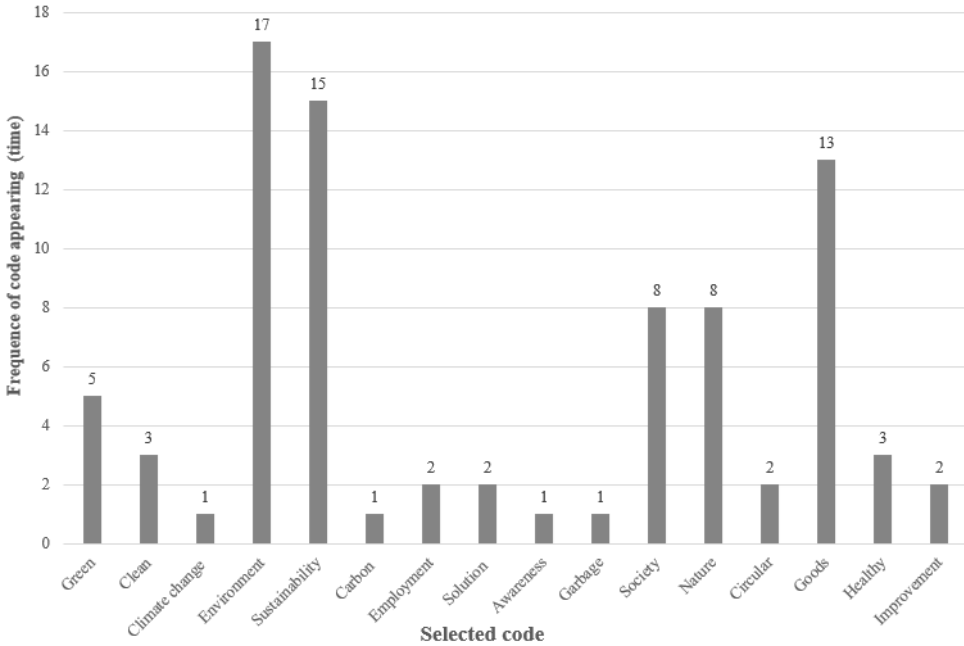


Figure 1. Frequency of code of selected firms
Source: Author’s data

These codes were found intensively in the “về chúng tôi” (about us or company) or “giới thiệu” (introduction). Figure 1 describes the intensive appearance of words used to introduce the selected firms and their approach to operation towards the circular economy. Based on this figure, the paper could show how firms perceive circular economy by mentioning these words. And to what extent these firms could commit to the transition of circular economy embedded in the business model? Figure 1 displayed an intensive appearance of environment and sustainability which are concentrated by most of the companies in Viet Nam lately. Society and nature were emphasized to show the subjects of these companies wanting to create value through good products. It indicated

the tendency that firms are seizing the environment and society as business opportunities to develop sustainable development. Moreover, investors could apprehend the sustainable business models of firms to invest in. Aside from these companies, to encourage the sustainable business model, Saigon Asset Management, which is a fund management and financial advisory provider, put their concentrates on investing in firms that pay attention to environmental and social issues alongside financial profits. Another attention in this firm is that they used the term “environmental – Social – Governance (ESG)” while heading to the SDGs (sustainable development goals) set by the UN in the introduction materials (Saigon Asset Management, 2020). This is to show that Funds in Vietnam seem to open their investment criteria to ESG which means the capital investments shall consider ESG factors. Another example of the ESG environment is that HDBank and Affinity fund had come to an agreement to fund companies practicing the ESG criteria with the amount of 300 million USD (Tú, 2021). In the opinion of the author, this financial support, and investment are expected to contribute to capacity building which would aim at serving society’s needs. This is to say that financial institutions are concerned about the position of the circular economy in Vietnam. This tendency is more active when Vietnam committed to achieving zero CO2 emissions after the COP26 summit. Hence, international financial institutions have realized the opportunities for economic development accordingly to the model of the circular economy. These arguments lead to the increase of FDI flow to Vietnam. Nevertheless, the ESG factor of a company is increasingly being considered in investment analysis decisions in the Vietnamese market, with the aim of providing a broader perspective on the risks and opportunities of investing in a company's shares. Thus, practicing ESG is one of the advantages which helps a company attract large investment capital, FDI with preferential interest rates, and other terms. Moreover, the Ho Chi Minh City Stock Exchange (HoSE) has launched the “VN Sustainability Index (VNSI) indicating 20 companies with the highest sustainability scores ranging from all industries. From there, these companies will be honored in the HoSE. However, the VNSI and the ESG concept are still quite unfamiliar to Vietnamese investors. It could be due to the unclear definition and dissemination from the governmental actors. Hiếu (2023)

regarded that the Vietnam government promulgated many policies afterward to guide and direct private sectors toward sustainability which could help the nation achieve the goal intensively as well as redefine the circular economy. In 2022, PwC launched a survey to evaluate the firms' readiness for ESG implementation which indicated the majority of firms in Vietnam emphasized on factor "Governance" more than others. The rates of companies not reporting and not being literate about ESG were very high (PwC, 2022). In this sense, companies in Vietnam are not apprehending fully ESG literacy leading to incompliance. Aside from the above-listed companies that have studied the concept of circular economy, many others are still struggling with the criteria. Hiếu (2023) noticed that although the government was making its effort by issuing regulations, many companies felt puzzled by the implementation of the ESG strategy. In general, companies in Vietnam are ready to apply the circular economy embedded model. However, the diffusion of this model is still limited.

Policy Corridors

A circular economy is an economic approach to forging the interrelationship between economic growth and the environment. This approach is backed by SDGs in the context of climate change. According to some reports Vietnam is accelerating the process of industrialization, modernization, and urbanization, leading to pressures from pollution and environmental degradation issues due to the growing development process. Hence, climate change would affect all aspects of the socio-economic aspect with a clear view. In 2019, Politburo concluded the development policy following the direction of resource management and environmental protection. This conclusion has drawn many downsides in the practices regarding environmental issues. The issues have not been noted and given consent among ministries on clear policies for environmental protection. At the COP26 conference, Vietnam committed to achieving zero CO₂ emissions by 2050 with other 150 countries. Many arguments have risen due to the position of Vietnam. The Communist Party announced its nation's direction and goals to become a "developed country by 2045". This direction indicated that the country is still in the industrialization and modernization process, and it still has a very long way to achieve. However,

Vietnam is ranked among countries emitting CO2 a lot to the environment. This could be due to the fast pace of development of the country.

This commitment of the state leader has his own reasoning to back his perspective. Vietnam has realized the importance and the urgency of implementing the green growth strategy aiming at sustainable development. The government has been giving a positive signal by issuing relevant policies.

Table 2. List of major national policies

No	Name	Form	Issuing authority	Year
N/A	Vietnam's national green growth strategy		Ministry of Planning and Investment	2012
03/CT-NHNN	Promoting green credit growth and environmental – social risks management in credit granting activities	Directive	Vietnam National Bank	2015
95/2018/ND-CP	Providing for issuance, registration, depositing, listing, and trading of government debt instruments on the securities market	Decree	The Government	2018
1604/QĐ-NHNN	Approving the project to develop a green bank in Vietnam	Decree	Vietnam National Bank	
986/QĐ-TTg	Approving the strategy for the development of Vietnam's banking industry to 2025, orientation to 2030	Decree	The Prime Minister	
163/2018/NĐ-CP	Provisions on the issuance of corporate bonds	Directive	The Government	
96/2020/TT-BTC	Guidelines for information disclosure on the stock market	Circular	Ministry of Finance	2020
N/A	Guideline to issue “green bonds, social bonds, and sustainability bonds”	Guideline	State Securities Commission of Vietnam	2021
153/2020/ND-CP	“Prescribing private placement and trading of privately placed corporate bonds in domestic market and offering of corporate bonds in the international market”	Decree	The Government	

Source: compiled by the author

Table 2 demonstrated that Vietnam's government has been directing its attention to environmental and social issues. Nevertheless, looking at the implemented policies above, it is indicated that the government put more emphasis on the financial sector of development policy such as securities or banking system, etc. It could be understood that the direction of the government will be calling for investments in projects related to social and environmental issues via capitalization or investments. Moreover, it needs to be noticed that Vietnam is still an emerging market, and the development policies still need to consider concentrating on the economics of the country while other factors are added value. Nevertheless, the world tendency is to focus on sustainability and ESG in terms of investments and circular economy considerations. In order to achieve the national goal several policies were prepared and implemented as commitments and current state before the COP26 (see the above table). As of 2020, the State Securities Commission of Vietnam issued a guideline for firms to lever the importance of the projects which relatively contribute to social and environmental issues. Moreover, the Ho Chi Minh City Stock Exchange (HoSE) promulgated the Vietnam Sustainable Index (VNSI) in 2017 selecting qualified firms from the VN100 index. The VN100 Index is compiling 100 stock symbols of 100 firms having the largest market capitalization on the HoSE stock exchange. Listed in the stock basket of VNSI, these companies would be evaluated based on the reference of financial and standard institutions such as the Global Reporting Initiative and OECD with the assistance of the German development agency. This was a big step for Vietnam to attract more FDI from multinational firms. In general, it is expected that VNSI would create a measure for the market by listing well-qualified firms which could help investors refer to the "green" nature of their investment portfolio. The author added that this index shall encourage other firms to compete with each other regarding sustainability. These also paved the way for calling for more investments in the economy. Table 2 displayed the dominant policies that have a major role in building a concrete policy corridor. Besides these major policies, the other public authorities also follow and implemented other policies that affect each field of the economy. According to Table 2, it is visible that the government encourages businesses to employ the CE

concept in the business model which could enhance the businesses' financial capacity via the support of the government. In this sense, firms could require financial and policy support from governmental actors for their business model transition. Although VNSI is being considered as a foundation that could develop other indicators, it has some downsides that might limit the investment capacity. Nguyen & Tran (2022) exposed 2 controversial arguments on the VNSI that most of the investors in Vietnam are short-term by focusing on the VN30 and VNINDEX, which are two other large and dominant indexes in Vietnam's stock exchange leading to less attention on firms' social responsibilities. An opposite argument was posed that most investors were leaving Vietnam due to the limitation and the lack of social responsibilities activities (World Bank, 2022). Therefore, it is indispensable that the VNSI need to be upgraded and visible, and more transparent to investors. In sum, it is justified that Vietnam is encouraging the employment of the CE in the private sector through the mean of financial support. Public-Private Partnership is the strategy that highlights the cooperation between private organizations and public institutions. Vietnam's government has been utilizing this term for many years and has been expressing the need for this strategy in the long run. It is indispensable that the Vietnamese government could do the same strategy as the Netherlands mentioned above. This is to find an appropriate strategy of circular business model in the context of the country. Although the most important thing is to educate the notion of CE to the private sector and the people. Educational institutions such as universities, research centers and think tanks have the role of disseminating as well as consulting the CE concept to relevant stakeholders and firms through the form of seminars, and conferences. Meanwhile, the ministries and provincial agencies have used the same approach for the local companies. Many think tanks and research centers were established by the universities, and ministries to serve the application of the CE. The CE Hub is one of them such as the Institute for Circular Economy Development or the Vietnam Business Council for Sustainable Development, etc. The financial policies cited in Table 2 bring two consequences which are the call for FDI for the relevant issues and financial support for firms operating in Vietnam.

CONCLUSION

Vietnam is still developing a favorable policy for businesses to adopt local principles. Criteria are yet to be clearly defined. CSR activities are beneficial for companies rather than the socio-economic context in Vietnam. Businesses should embrace the strategy of shared values creation combining synthesis of R principles attached to the business model. It is necessary to pay attention to international standards as a guideline for business development, for instance, the ESG reporting while considering 17 sustainable development goals of the UN. This is because of the orientation of the government which is the transition of the business model toward sustainability. Besides the 17 SDGs of the UN, Vietnam regards the CE as one approach to achieving sustainable development. Thus, the CE is integrated into the sustainable business model from the business management perspective. Especially, Companies are demanded to stick with a circular economy embedded in the business model for creating shared values for society to receive values and legitimacy from society. Although the adoption of the circular economy of Vietnam is not very visible to the globe, the study found that the government has been preparing for this economic model for many years. Many relevant policies were implemented as legal corridors for firms to adapt to the situation and transform their business model accordingly. Table 2 demonstrated the effort of the government in assisting firms financially to transform their business model. Firms, which were sampled in the section “firms’ behaviors”, indicate visibly their business model toward a more environment-friendly model after viewing the government policies. Vietnam’s government put its emphasis on calling for more investment in the improvement of the business model accordingly to the circular economic model. The creation of a sustainability stock basket could help foreign investors to choose better companies. The relevant national policies highlight terms which is favorable for widening the financial pathway. This leads to the call for financial collaboration for sustainable business from other governments and foreign firms. In conclusion, Vietnam might take a gradual series of steps to employ the circular economic model, however, Vietnam is on the right track to achieve it. As in the scope of the COP26 conference, Vietnam chooses the approach of calling for collaboration as the country is still under a very high rate of

industrialization. Understandably, Vietnam requires more financial assistance to brace for the circular economy. Vietnam's major export markets such as the US, EU, Japan, etc. are currently setting high standards for green products. Especially when Vietnam has put many big mega trade agreements to boost the exports. These agreements will open a wider door for foreign direct investment, their inquiry on sustainable business is harder. The policies of Vietnam would encourage businesses operating within the country to adopt their circular economy embedded in the business model. From the above arguments, the velocity of applying any criteria of sustainability or circular economy is quite slow due to the lack of clear guidance from relevant authorities. The Vietnamese government develop its strategy to embrace sustainable development where the CE plays a crucial role. Barros et al. (2021) claimed that the application of the CE to the business model could drive sustainability. Shao et al. (2020) defined the influential factors of the CEBM which is impacted by the shift of business model as the customer segment, relationship, and key partnership (Salvador et al., 2021; Shao et al., 2020). Although the Vietnam government is pushing forward relevant policies, confusion among business leaders is happening. Nevertheless, the study result found that companies are in favour of choosing the circular supplies and resources recovery as their business model. This is the sign indicating the willingness of Vietnamese firms to apprehend and integrate the CE into their plan for sustainability. It could be said that the CE is a reliable and durable approach, from the firms' perspective, towards the sustainable business. In the context that many EU and US markets are expected Vietnam's goods-exporting industries could require businesses to meet green standards, eco-design, etc. To contribute to the realization of green and sustainable economic development orientations, the author proposes that the Government to further strengthen the participation of the business community in building and perfecting the legal system, law, and environmental regulations. Through the active participation of businesses, business leaders could comprehend actively and effectively the regulation related to the environment correlating to their industries. This also helps the government to passively facilitate access to information on policies concerning the environment, green economy, and sustainable development for enterprises which could promote the improvement of the business environment. The Ho Chi Minh City Stock Exchange has its sustainability index to promote the sustainability

strategy for firms operating in Vietnam. However, the criteria are still not clear. Furthermore, this basket of stock is selected from the top largest capitalized enterprises. It is still room for advancing this index for enterprises to compete to attract investments. A roadmap for meeting emission reduction requirements should be determined with immediate updated information and directly to firms by relevant public authorities at governmental, local, and agency levels. At the same time, the authorities should soon work with firms in each field to form technical guidelines on emission reduction by sector and operating model. As we have seen in the study that the cooperation among three players who are the governmental actors, firms, and academics could create a proper guideline suitable for the economic context of the country. Recently, investors tended to choose firms that effectively operate ESG reporting. Nevertheless, only a few companies apply ESG to their business. The government must study and apprehend the ESG standard from other developed countries or EU institutions. From that point, it could be easier for the public authorities to follow these standards and enhance international integration in the international arena. This action will contribute to the increase of FDI flowing to the economy. It is also easier for foreign investors concerning the choice of Vietnamese partners and investments. In the context of production and business is very difficult, all support for businesses is very valuable, especially in implementing new policies so as not to lose the market, especially the export market when the international movement is moving very fast and strongly towards green growth. This is also a way for Vietnam's government to keep pace with its commitment at COP26 and to make it an advantage to draw more FDI flowing into Vietnam.

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