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Balancing Economic Interests and Social Responsibility in Small and Medium-Sized Enterprises: A Stakeholder Theory Perspective between Vietnam and China

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ABSTRACT

Small and medium-sized enterprises (SMEs) play a dominant role in the economies of both Vietnam and China, contributing significantly to employment, economic growth, and innovation. However, their importance also raises a fundamental challenge: how to balance economic objectives with social responsibility toward employees, consumers, communities, and the environment. Although Vietnamese law provides extensive support for SME development, stakeholder protection remains fragmented across labour, environmental, and consumer-protection legislation, while the Law on Enterprises lacks an explicit stakeholder-oriented corporate-purpose provision. By contrast, China has introduced stakeholder considerations into company law through Article 20 of the 2023 Company Law, yet concerns remain regarding its enforceability and practical effectiveness. Against this backdrop, this paper employs stakeholder theory and a comparative legal approach to examine the regulatory frameworks of Vietnam and China, identify their similarities and differences, and propose legal reforms for Vietnam aimed at strengthening stakeholder-oriented governance while preserving the competitiveness and sustainability of SMEs.

Keywords: SMEs, stakeholder theory, CSR, stakeholder governance, company law.

I. INTRODUCTION

Small and medium-sized enterprises (SMEs) play a pivotal role in the economies of both Vietnam and China. In Vietnam, SMEs accounted for nearly 98% of more than 940,000 active enterprises as of 31 December 2024,¹ contributing an estimated 40-45% of GDP and around half of formal employment.² In China, more than 52 million SMEs were operating in 2022,³

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¹ Nguyen Thi Ngoc Anh, *PM Pham Minh Chinh Urges SMEs to Break Limits for Growth*, VIETNAM NEWS AGENCY (2025), <https://en.vietnamplus.vn/pm-pham-minh-chinh-urges-smes-to-break-limits-for-growth-post310717.vnp>.

² Nguyen Thi Thuy, *Promoting Small and Medium Enterprises in Vietnam Today: Current Situation and Solutions*, 7 INT'L J. MULTIDISCIPLINARY RSCH. & PUBLICATIONS 147 (2024).

³ EU SME CENTRE, *SME Policy Environment Report: 2025 Update* (2025), <https://www.eusmecentre.org.cn/publications/sme-policy-environment-report-2025-update/>.

while the private sector, which is predominantly composed of SMEs, contributed approximately 50% of tax revenue, 60% of GDP, 70% of technological innovation, and 80% of urban employment.⁴ These figures highlight the substantial economic significance of SMEs in both jurisdictions. At the same time, their economic importance generates a regulatory challenge. While SMEs are major drivers of growth and employment, they are also frequently associated with labour vulnerabilities, environmental non-compliance, inadequate consumer protection, and weak governance practices. Compared with large listed corporations, SMEs typically operate with limited resources, lower capitalisation, and closer dependence on employees, creditors, suppliers, and local communities, resulting in a distinctive social-responsibility profile. This raises a central legal question: how can SMEs be encouraged or required to internalise social responsibilities without undermining their economic vitality?

This paper addresses that question through a comparative analysis of Vietnam and China. Both countries operate under socialist-oriented market economies, maintain extensive state involvement in economic governance, and regard SME development as a strategic policy objective. Despite sharing similar economic and institutional foundations, Vietnam and China differ in their legal treatment of stakeholder interests. China explicitly recognises stakeholder considerations in Article 20 of the Company Law of the People's Republic of China (2023 Revision), while Vietnam addresses such interests through fragmented sectoral legislation rather than a dedicated corporate-purpose provision. To evaluate these approaches, the study adopts stakeholder theory as its analytical framework. As an alternative to shareholder primacy, stakeholder theory recognises that enterprises affect multiple groups whose interests deserve consideration alongside those of shareholders. Employing doctrinal and comparative legal methods, the paper examines the legal and policy frameworks governing SMEs in both jurisdictions, identifies key areas of convergence and divergence, and proposes recommendations for Vietnam. The analysis is based on legal materials, policy documents, and relevant scholarship, assessed through the normative lens of stakeholder theory, while the statistical data cited are used for illustrative purposes and remain subject to acknowledged methodological limitations.

⁴ XINHUA, *Chinese SMEs Continued Recovery Momentum Last Month* (2023), https://english.www.gov.cn/archive/statistics/202308/09/content_WS64d331ffc6d0868f4e8de730.html.

II. STAKEHOLDER THEORY AND THE BALANCE BETWEEN ECONOMIC AND SOCIAL OBJECTIVES

A. The Evolution of Stakeholder Theory

Stakeholder theory is commonly traced to Freeman's Strategic Management: A Stakeholder Approach, which defines a stakeholder as any individual or group that can affect, or is affected by, the achievement of an organisation's objectives.⁵ This conception broadened the traditional focus of corporate governance beyond shareholders to include employees, customers, suppliers, creditors, communities, and, in broader interpretations, the natural environment and future generations. Freeman's approach emerged as a response to the shareholder-primacy perspective associated with Friedman, who argued that the sole social responsibility of business is to increase profits within the framework of the law.⁶ The theoretical foundations of stakeholder theory were subsequently strengthened by several influential contributions. Donaldson and Preston distinguished between the descriptive, instrumental, and normative dimensions of the theory, arguing that its ultimate justification lies in the intrinsic legitimacy of stakeholder interests rather than their instrumental value.⁷ Clarkson further differentiated between primary stakeholders, whose continued participation is essential to the survival of the firm, and secondary stakeholders, who may influence or be influenced by the firm but are not indispensable to its existence.⁸ Building on these foundations, Mitchell, Agle, and Wood developed the stakeholder-salience framework, which explains managerial prioritisation according to three attributes: power, legitimacy, and urgency.⁹ Under this model, stakeholder importance increases as these attributes accumulate. The framework is particularly relevant to SMEs because it explains why managers often prioritise owner-managers, key employees, major creditors, and dominant customers while assigning lower priority to broader interests such as environmental protection or distant communities.

Subsequent scholarship has further refined stakeholder theory while addressing its principal criticisms. Parmar and colleagues argued that the perceived conflict between shareholder value and stakeholder value is based on a false dichotomy, maintaining that sustainable value creation

⁵ R. Edward Freeman, *STRATEGIC MANAGEMENT: A STAKEHOLDER APPROACH* (1984).

⁶ Milton Friedman, *The Social Responsibility of Business Is to Increase Its Profits*, N.Y. TIMES MAG., Sept. 13, 1970.

⁷ Thomas Donaldson & Lee E. Preston, *The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications*, 20 ACAD. MGMT. REV. 65 (1995).

⁸ Max B.E. Clarkson, *A Stakeholder Framework for Analyzing and Evaluating Corporate Social Performance*, 20 ACAD. MGMT. REV. 92 (1995).

⁹ Ronald K. Mitchell, Bradley R. Agle & Donna J. Wood, *Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts*, 22 ACAD. MGMT. REV. 853 (1997).

requires firms to manage stakeholder relationships as a mutually reinforcing process rather than a competitive allocation of benefits.¹⁰ This perspective is consistent with the instrumental literature linking corporate social responsibility to firm performance, although empirical evidence remains mixed and context-dependent.¹¹ At the same time, stakeholder theory has been criticised for conceptual indeterminacy. Jensen argued that if all affected parties are treated as stakeholders, managers may be granted excessive discretion, thereby weakening accountability mechanisms.¹² This criticism is particularly relevant in legal contexts, where legislators seeking to incorporate stakeholder considerations into corporate law must determine the beneficiaries of such obligations and the mechanisms through which they are enforced. For the purposes of this paper, three aspects of stakeholder theory are especially significant. First, it reconceptualises the purpose of the firm as the creation and equitable distribution of value among those who contribute to and bear the risks of enterprise activities, rather than focusing solely on maximising returns to capital. Second, it accommodates a wide range of regulatory approaches, allowing stakeholder interests to be promoted through managerial discretion, soft-law instruments, or binding legal obligations. Third, it recognises that stakeholder relationships vary according to organisational scale, implying that the stakeholder structure of SMEs differs fundamentally from that of large corporations. These characteristics make stakeholder theory an appropriate analytical framework for evaluating how the legal systems of Vietnam and China seek to balance economic objectives with social responsibility in the SME sector.

B. Balancing Profit and Social Responsibility in SMEs

The application of stakeholder theory and corporate social responsibility (CSR) to SMEs should not be understood merely as a scaled-down version of practices developed for large corporations. Existing scholarship demonstrates that social responsibility in SMEs possesses distinctive characteristics, being largely informal, relationship-oriented, and deeply influenced by the personal values and ethical commitments of owner-managers. Rather than relying on formal CSR policies or reporting mechanisms, SMEs tend to engage directly with stakeholders through close and ongoing interactions, particularly with employees, customers, suppliers, and local communities. Consequently, stakeholder-oriented practices in SMEs are often embedded in everyday business operations and community relationships rather than expressed through

¹⁰ Bidhan L. Parmar et al., *Stakeholder Theory: The State of the Art*, 4 ACAD. MGMT. ANNALS 403 (2010).

¹¹ Joshua D. Margolis, Hillary Anger Elfenbein & James P. Walsh, *Does It Pay to Be Good ... And Does It Matter? A Meta-Analysis of the Relationship Between Corporate Social and Financial Performance* (2011), <http://dx.doi.org/10.2139/ssrn.1866371>.

¹² Michael C. Jensen, *Value Maximization, Stakeholder Theory, and the Corporate Objective Function*, 12 BUS. ETHICS Q. 235 (2002).

formal CSR frameworks.¹³ SMEs frequently engage in socially responsible practices without explicitly identifying them as such, for example by extending credit to financially distressed customers, retaining employees during periods of economic downturn, and supporting local community initiatives. At the same time, they often lack the organisational systems, disclosure capabilities, and external oversight mechanisms that promote accountability and responsible conduct in larger corporations.

The balance between profitability and social responsibility in SMEs is shaped by several interrelated structural characteristics. SMEs often operate under significant resource constraints, with limited financial and managerial capacity, requiring compliance obligations and social-responsibility initiatives to compete directly with business survival. Consequently, regulatory requirements designed for large corporations may impose disproportionate burdens on smaller enterprises, demonstrating the limitations of a uniform regulatory approach. At the same time, the concentration of ownership and management in the hands of owner-managers reduces the traditional agency problem commonly associated with large corporations but creates a different risk, namely the externalisation of costs onto employees, the environment, and local communities when short-term business interests prevail over broader stakeholder concerns. This challenge is further reinforced by the stakeholder-salience asymmetry identified by Mitchell, Agle, and Wood, which is often more pronounced in SMEs. Stakeholders possessing power, legitimacy, and urgency, such as major customers, tax authorities, or principal lenders, tend to attract immediate managerial attention because of their direct impact on business continuity, whereas less visible stakeholders, including those affected by environmental degradation or the interests of future generations, frequently receive limited consideration.¹⁴ As a result, in the absence of appropriate legal and regulatory intervention, the interests of these lower-salience stakeholders may be systematically overlooked, highlighting the need for legal frameworks that reconcile the operational realities of SMEs with the broader objective of promoting responsible and sustainable business conduct.

These structural features generate the regulatory-design problem that frames the comparison undertaken in this study. Two opposing risks define the analytical terrain. On the one hand, regulatory abstention would lead SMEs to internalise only those stakeholder interests that are commercially salient, leaving a residue of uncompensated social costs imposed on employees,

¹³ Laura J. Spence, *Small Business Social Responsibility: Expanding Core CSR Theory*, 55 BUS. & SOC'Y 23 (2014).

¹⁴ Mitchell, Agle & Wood, *supra* note 9.

the environment, and local communities.¹⁵ Conversely, imposing on SMEs the full range of obligations originally developed for large corporations may undermine their economic contribution and encourage a shift toward informal business activities. This risk is particularly significant in economies where a considerable proportion of small enterprises already operate on the margins of the formal economy or outside it altogether.¹⁶ The normative challenge, which stakeholder theory helps to illuminate but does not fully resolve, is to design legal obligations that satisfy three cumulative criteria: proportionality to firm capacity;¹⁷ targeted regulation of externalities that markets cannot self-correct; and accompaniment by support measures that reduce the marginal cost of compliance. It is against this normative benchmark that the Vietnamese and Chinese regulatory frameworks are critically assessed in the sections that follow.

III. LEGAL AND POLICY FRAMEWORKS GOVERNING SMES IN VIETNAM AND CHINA

A. The Vietnamese Approach

The legal framework governing SMEs in Vietnam is established by the Law on Support for Small and Medium-Sized Enterprises No. 04/2017/QH14, adopted by the National Assembly on 12 June 2017 and effective from 1 January 2018 (the 2017 SME Law). The implementation of this legislation is further specified by Decree No. 80/2021/NĐ-CP dated 26 August 2021, which replaced Decree No. 39/2018/NĐ-CP and classifies enterprises into micro, small, and medium-sized categories based on business sector, number of employees, revenue, and capital.¹⁸

From a legal perspective, the 2017 SME Law is primarily designed as an instrument for promoting economic development rather than as a mechanism for ensuring corporate social responsibility. Article 5 of the Law establishes the core principles governing State support for SMEs in Vietnam. The provision emphasises that support policies must comply with market principles, ensure transparency, be consistent with Vietnam's international commitments, and be implemented within the limits of available State resources.¹⁹ Accordingly, support measures are required to be targeted, time-limited, and aligned with both policy objectives and resource

¹⁵ Angeloantonio Russo & Francesco Perrini, *Investigating Stakeholder Theory and Social Capital: CSR in Large Firms and SMEs*, 91 J. BUS. ETHICS 207 (2010).

¹⁶ ILO, *Women and Men in the Informal Economy: A Statistical Picture* (3d ed. 2018), <https://www.ilo.org/publications/women-and-men-informal-economy-statistical-picture-third-edition>.

¹⁷ EUROPEAN COMMISSION, *A Renewed EU Strategy 2011-14 for Corporate Social Responsibility* (2011), COM (2011) 681 final.

¹⁸ LIBRARY OF CONGRESS, *Vietnam: Financial Support Program for Small and Medium-Sized Enterprises Amended* (2024), <https://www.loc.gov/item/global-legal-monitor/2024-07-15/>.

¹⁹ Law on Provision of Assistance for Small and Medium-Sized Enterprises, No. 04/2017/QH14 (June 12, 2017) (Vietnam).

availability. The Law further permits support financed by non-State actors, provided that such assistance complies with applicable legal requirements. SMEs that qualify for multiple support schemes may choose the most advantageous form of assistance, while priority is given to women-owned enterprises and enterprises employing a larger proportion of female workers when support resources are limited. Eligibility for support is also conditional upon compliance with the Law and other relevant legal regulations. Taken together, these principles demonstrate that the legislation is primarily designed to promote the establishment, growth, and competitiveness of SMEs through targeted support mechanisms rather than to impose substantive obligations relating to stakeholder protection or corporate social responsibility. Accordingly, the Law focuses on facilitating access to credit, tax incentives, land-related support, technological development, human-resource training, and participation in distribution networks.²⁰ As a result, the legislative emphasis is placed on enhancing the competitiveness and growth of SMEs rather than imposing specific obligations relating to stakeholder protection or social responsibility.²¹

An important consequence of this regulatory approach is that stakeholder rights and interests in Vietnam are not governed through a dedicated SME framework but are instead addressed across multiple areas of legislation. The Law on Enterprises No. 59/2020/QH14, effective from 1 January 2021, establishes the rules on corporate governance and managerial responsibilities. Nevertheless, it continues to reflect a corporate model centred primarily on shareholders and members. In contrast to Article 20 of the Company Law of the People's Republic of China, the Vietnamese Law on Enterprises does not impose a general duty on companies to consider the interests of affected groups in their business activities. Safeguards for employees, consumers, and environmental interests are therefore provided through specialised statutes, including the 2019 Labour Code, the 2020 Law on Environmental Protection, and the 2023 Law on Protection of Consumer Rights. Although this legal arrangement ensures that SMEs remain accountable to a range of affected parties, the relevant responsibilities are derived from separate regulatory regimes with different supervisory and enforcement structures. As a result, the Vietnamese legal system acknowledges stakeholder concerns in substantive terms, yet it does so through a fragmented regulatory framework rather than through an integrated conception of corporate purpose and governance.

²⁰ Mai Thi Thanh Hue, *Law Enforcement in Supporting Small and Medium-Sized Enterprises: Evidence from Dong Nai Province*, STATE MGMT. J. (2026), <https://www.quanlynhanuoc.vn/2026/02/27/>.

²¹ Gia Nguyen, *Amending the Law on Support for Small and Medium-Sized Enterprises: An Urgent Necessity* (2025), <https://diendandoanhnghiep.vn/sua-luat-ho-tro-doanh-nghiep-nho-va-vua-yeu-cau-cap-thiet-10167921.html>.

Academic assessments of this legal framework reveal both notable strengths and significant limitations. On the one hand, many scholars acknowledge that the 2017 SME Law demonstrates a strong policy commitment by the State to the development of the private sector while also consolidating and systematising previously fragmented support mechanisms. On the other hand, numerous studies continue to identify a substantial implementation gap, manifested in ambiguous regulatory guidance, difficulties in determining eligibility for support, inconsistent enforcement among local authorities, and limited utilisation of available support programmes.²² A similar pattern can be observed in relation to corporate social responsibility (CSR). In practice, CSR activities among Vietnamese enterprises remain largely voluntary and are often driven by the requirements of international supply chains rather than by domestic legal obligations. Consequently, SMEs operating primarily within the domestic market tend to exhibit lower levels of stakeholder engagement. This situation creates a structural imbalance in which the legal system actively promotes the establishment and expansion of enterprises, while the internalisation of social and environmental costs depends largely on sector-specific enforcement mechanisms that are frequently constrained by limited resources and weak oversight capacity. Nevertheless, recent policy developments indicate that Vietnam is gradually moving toward a more stakeholder-oriented approach to enterprise regulation. This trend is reflected in important policy documents such as the National Green Growth Strategy for the 2021-2030 period with a vision to 2050, approved under Decision No. 1658/QĐ-TTg dated 1 October 2021, as well as the sustainable-development orientation established under Resolution No. 136/NQ-CP. More notably, Resolution No. 68-NQ/TW dated 4 May 2025 on private-sector development identifies the private sector, in which SMEs constitute the dominant component, as a key driver of national economic growth while simultaneously emphasising business ethics and corporate social responsibility. Although these instruments are primarily programmatic in nature and do not create directly enforceable legal obligations, they reflect a significant shift in regulatory thinking. Taken together, these policy directions suggest that the trajectory of legal reform in Vietnam is increasingly converging toward a stakeholder-oriented conception of the enterprise, in which economic growth and social responsibility are regarded as complementary rather than competing objectives.

B. The Chinese Approach

China regulates SMEs through a combination of specialised legislation and a broader corporate-

²² Dezan Shira & Associates, *Vietnam Issues Eligible Criteria, Incentives for SMEs: Decree 80* (2021), <https://www.vietnam-briefing.com/news/vietnam-issues-eligible-criteria-incentives-for-smes-decree-80.html>.

governance framework that has increasingly incorporated stakeholder considerations. The principal legal instrument is the Law of the People's Republic of China on the Promotion of Small and Medium-Sized Enterprises, originally enacted on 29 June 2002 and comprehensively revised on 1 September 2017, with effect from 1 January 2018. Similar to Vietnam's SME legislation, the Law is primarily designed to promote SME development through measures relating to fiscal and tax support, financing, entrepreneurship, innovation, market expansion, and business-support services. However, unlike the Vietnamese Law on Support for Small and Medium-Sized Enterprises, the Chinese statute contains a distinct chapter dedicated to the protection of rights and interests, reflecting a stronger concern for safeguarding SMEs within market transactions.²³ This rights-based dimension is particularly evident in provisions aimed at protecting SMEs from delayed payments by larger business partners, an issue that was subsequently addressed in greater detail through the State Council's Regulations on Ensuring Payments to Small and Medium-Sized Enterprises (2020). Consequently, while the Chinese framework remains predominantly promotional, it incorporates a more explicit recognition of legal protections for SMEs than its Vietnamese counterpart.

A more significant development occurred with the adoption of the Company Law of the People's Republic of China (2023 Revision), approved by the Standing Committee of the National People's Congress on 29 December 2023 and effective from 1 July 2024. The revised Law retained the traditional social-responsibility provision, now contained in Article 19, which requires companies to comply with laws, observe social and business ethics, act in good faith, and accept governmental and public supervision. More importantly, Article 20 introduced an independent stakeholder provision requiring companies, in the course of their operations, to take into account the interests of employees, consumers, and other stakeholders, as well as ecological and environmental protection and broader public interests, while assuming corresponding social responsibilities. The provision further encourages participation in public-welfare activities and the disclosure of social-responsibility information.²⁴ According to both Chinese and comparative legal scholarship, this marks the first explicit incorporation of the concept of "stakeholders" into Chinese company law and represents an important shift toward a statutory framework that recognises stakeholder interests as a component of corporate governance.

²³ Law of the People's Republic of China on the Promotion of Small and Medium-Sized Enterprises (2017 Revision), <https://www.csicare.com/Law/LawShowEn?id=226118>.

²⁴ Arendse Huld, *China's Revised Company Law in Effect from July 1, 2024: Key Details Here*, CHINA BRIEFING (2024), <https://www.china-briefing.com/news/china-company-law-amendment-july-1-2024/>.

The stakeholder orientation of the 2023 Company Law is reinforced by several complementary provisions that are particularly relevant to SMEs operating as limited liability companies. Article 17 strengthens employees' rights to participate in democratic management and requires enterprises to seek the opinions of labour unions and employee-representative bodies before making decisions on major matters such as restructuring, dissolution, or bankruptcy. These provisions demonstrate that employee participation is viewed not merely as a labour issue but also as an integral element of environmental, social, and governance responsibilities within the corporate-governance framework.²⁵ At the same time, the Law preserves the distinctive characteristics of the Chinese governance model through Article 18, which requires companies to support the activities of Chinese Communist Party organisations. This requirement reflects the continuing role of political institutions within enterprise governance and distinguishes the Chinese approach from the Vietnamese corporate-law framework, where no equivalent provision exists in the Law on Enterprises.

Despite its doctrinal significance, scholarly assessments of Article 20 remain cautious, and much of the emerging literature focuses on the gap between legislative aspiration and practical implementation. Three concerns are particularly prominent. First, scholars argue that the concept of stakeholders under the 2023 Company Law differs from both classical stakeholder theory and the United Kingdom's enlightened-shareholder-value approach, while certain provisions lack conceptual clarity and detailed implementation guidance. Second, the Law does not clearly specify the beneficiaries of directors' stakeholder-related duties, explain the relationship between these duties and fiduciary obligations to the company, or establish legal consequences for non-compliance. As a result, many commentators regard Article 20 primarily as a declaratory principle or an interpretive guideline rather than a directly enforceable obligation, suggesting that meaningful stakeholder governance would require complementary mechanisms such as public enforcement, ESG-based incentives, and enhanced disclosure requirements.²⁶ Third, judicial authorities have yet to develop a consistent interpretation of the stakeholder concept, resulting in uncertainty regarding its practical application. These limitations are particularly evident for SMEs, many of which lack the governance structures and reporting capacity necessary to operationalise stakeholder commitments. Consequently, although Article 20 represents a significant normative development in Chinese company law,

²⁵ Johnny Choi & Ning Zhou, *Chinese Company Law Amendment: Impact on HR Management*, DLA PIPER (2024), <https://www.dlapiper.com/en/insights/publications/2024/06/chinese-company-law-amendment-impact-on-hr-management>.

²⁶ Min Yan, *Operationalising Stakeholder Governance: Some Lessons from China's New Company Law*, 25 J. CORP. L. STUD. 211 (2025).

its practical impact on smaller enterprises remains constrained by the absence of detailed implementation mechanisms and mandatory enforcement measures.

IV. COMPARATIVE ASSESSMENT FROM A STAKEHOLDER THEORY PERSPECTIVE

A. Similarities in Balancing Economic and Social Interests

From the perspective of stakeholder theory, the legal frameworks of Vietnam and China exhibit several fundamental similarities despite differences in their legislative design.

First, both countries regard SME development as a strategic component of national economic policy and have established dedicated legal frameworks to support this objective, through the 2017 Law on Support for Small and Medium-Sized Enterprises in Vietnam and the 2017 SME Promotion Law in China. These statutes are primarily oriented toward enhancing business growth, employment generation, innovation, and economic competitiveness through financial assistance, tax incentives, capacity building, and other support measures. In this respect, the rationale for supporting SMEs remains largely instrumental, as favourable legal treatment is justified by the broader economic and social benefits that SMEs generate, including job creation, fiscal contributions, and technological development, rather than by an explicit normative commitment to stakeholder rights.

Second, both jurisdictions rely on sector-specific legislation to safeguard the interests of key stakeholder groups, including employees, consumers, and the environment. Consequently, the most tangible and enforceable obligations imposed on SMEs arise from labour, environmental, and consumer-protection laws rather than from corporate-governance rules defining the purpose of the enterprise.

Third, recent legal and policy developments in both countries indicate a gradual shift from a model focused primarily on economic expansion toward one that increasingly incorporates sustainability and social-responsibility considerations. This trend reflects the growing influence of ESG principles, responsible business conduct, and stakeholder-oriented governance within contemporary regulatory discourse.

Finally, both systems face similar challenges in implementation, particularly with respect to micro and small enterprises. Although stakeholder-protection mechanisms formally apply across the business sector, enforcement capacity remains limited at the lower end of the enterprise spectrum. As a result, many smaller firms continue to experience weak regulatory oversight and limited integration of stakeholder responsibilities into their day-to-day business operations.

B. Differences and Remaining Challenges

Despite these common characteristics, important differences emerge between the Vietnamese and Chinese approaches, particularly in terms of legal design and regulatory technique. The most significant distinction concerns the treatment of stakeholder interests within corporate law. China has expressly incorporated stakeholder considerations into its corporate-governance framework through Article 20 of the 2023 Company Law, thereby recognising stakeholder interests as a general principle guiding corporate conduct. By contrast, Vietnam continues to rely on a corporate-governance model centred primarily on shareholders and members, while stakeholder protection remains dispersed across labour, environmental, consumer-protection, and other specialised legal regimes. In this respect, China has adopted a more explicit normative commitment to stakeholder-oriented governance. However, the practical significance of this distinction should not be overstated. As discussed earlier, the stakeholder clause in Article 20 remains largely declaratory because it provides limited guidance regarding its beneficiaries, enforcement mechanisms, or legal consequences. Consequently, a broadly framed but weakly enforceable corporate-law provision may not necessarily produce stronger stakeholder protection than a system based on enforceable obligations contained in specialised legislation. This comparison highlights an important lesson for legal reform: the formal recognition of stakeholder interests in corporate law does not automatically translate into effective stakeholder governance in practice.

A second area of divergence concerns the institutional mechanisms through which employee interests are represented within enterprise governance. The Chinese model incorporates employee participation directly into the corporate-governance structure through mechanisms such as employee-representative assemblies and mandatory consultation procedures on significant corporate decisions under the 2023 Company Law. These arrangements are complemented by provisions requiring enterprises to facilitate the activities of Chinese Communist Party organisations, reflecting the distinctive characteristics of China's governance framework. In contrast, Vietnamese law protects employee interests primarily through labour-law institutions, particularly trade unions and collective-labour mechanisms established under the Labour Code, rather than through participation rights embedded in company law. As a result, although both jurisdictions recognise employees as an important stakeholder group, they employ different institutional pathways to secure employee representation and protection.

A further difference can be observed in the regulation of relationships between SMEs and larger enterprises within commercial supply chains. Chinese law recognises that SMEs may themselves occupy a vulnerable stakeholder position and has therefore adopted specific

measures to protect them against unfair practices by more powerful market actors. A notable example is the 2020 Regulations on Ensuring Payments to Small and Medium-Sized Enterprises, which seek to address delayed payments and related financial pressures imposed by larger counterparties. By comparison, Vietnam does not maintain a dedicated legal framework addressing this issue, relying instead on general principles of contract and civil law. This distinction demonstrates a broader understanding within the Chinese legal system of the dual role of SMEs as both entities bearing responsibilities toward stakeholders and stakeholders requiring protection from economically dominant actors.

Notwithstanding these differences, both legal systems continue to face a number of common challenges. The conceptual indeterminacy identified by Jensen remains evident, particularly in relation to the difficulty of defining the scope of stakeholder interests and determining how corresponding obligations should be implemented and enforced.²⁷ Similarly, the stakeholder-salience framework developed by Mitchell, Agle, and Wood helps explain why certain interests receive greater protection than others.²⁸ Stakeholders possessing greater power, legitimacy, or urgency tend to attract regulatory and managerial attention, whereas diffuse interests such as environmental sustainability, community welfare, and the interests of future generations often receive weaker protection. In addition, both countries encounter significant enforcement difficulties among micro and small enterprises. Although stakeholder-related obligations formally apply across the business sector, regulatory oversight and compliance capacity tend to decline as firm size decreases. Consequently, the enterprises that constitute the largest proportion of the economy are often those least affected by the practical operation of stakeholder-protection mechanisms.

V. IMPLICATIONS FOR STRENGTHENING STAKEHOLDER-ORIENTED SME GOVERNANCE IN VIETNAM

A. Enhancing Legal Recognition of Stakeholder Interests

The comparative analysis provides a persuasive basis for enhancing the explicit recognition of stakeholder interests within Vietnamese corporate law, while also drawing important lessons from the limitations of the Chinese experience. From a law-reform perspective, one potential approach would be to incorporate a general stakeholder-consideration provision into a future amendment of the Law on Enterprises 2020. Inspired by the underlying rationale of Article 20 of the 2023 Company Law of the People's Republic of China, such a provision could require

²⁷ Jensen, *supra* note 12.

²⁸ Mitchell, Agle & Wood, *supra* note 9.

enterprises, in the course of their business activities, to take appropriate account of the interests of employees, consumers, creditors, local communities, and environmental protection. The principal value of this reform would not necessarily lie in creating new substantive obligations but in establishing a coherent normative framework for corporate governance. By articulating a broader conception of corporate purpose, the provision could serve as an interpretative principle linking the various stakeholder-related duties currently dispersed across labour, environmental, consumer-protection, and other areas of law. At the same time, it would reflect and reinforce the policy orientation already evident in Resolution No. 68-NQ/TW (2025) and Vietnam's Green Growth Strategy, both of which emphasise the integration of economic development with social responsibility and sustainable business conduct.

The Chinese experience also illustrates that the formal recognition of stakeholder interests, without corresponding enforcement mechanisms, may have limited practical impact. Therefore, if Vietnam chooses to incorporate a stakeholder-consideration provision into the Law on Enterprises, the reform should be carefully designed to avoid the uncertainty that has constrained the effectiveness of Article 20 of the Chinese Company Law. Several considerations are particularly important. First, the provision should clearly state that the obligation to consider stakeholder interests applies within the context of business decision-making and serves as a guiding principle for interpreting the duties of directors and managers toward the company. Such an approach would promote responsible governance while avoiding the creation of unlimited and individually enforceable rights for all stakeholders, thereby preserving legal certainty and managerial accountability. Second, the stakeholder obligation should be complemented by an appropriate transparency framework. Sustainability or stakeholder-related reporting requirements could be introduced on a graduated basis, with mandatory disclosure obligations applying to medium-sized enterprises that meet specified thresholds, while simplified or voluntary reporting mechanisms are adopted for micro and small enterprises. This approach would ensure that regulatory expectations remain proportionate to organisational capacity. Third, legislative reform should be accompanied by detailed interpretative guidance and the gradual development of consistent administrative and judicial practice. The absence of such supporting mechanisms has been widely identified by Chinese scholars as one of the principal factors limiting the practical effectiveness of Article 20. Accordingly, stakeholder-oriented reform in Vietnam should be supported not only by statutory recognition but also by a coherent framework for interpretation, implementation, and enforcement.

Alongside any corporate-law reform, Vietnam could strengthen recognition of the SME as a vulnerable stakeholder in inter-firm relations, following the Chinese precedent of dedicated

late-payment protection. A targeted instrument ensuring timely payment to SMEs by larger counterparties and public bodies would address a concrete and well-documented stakeholder harm without imposing diffuse compliance costs on small firms themselves.

B. Promoting Sustainable and Responsible SME Development

The comparative analysis suggests that the formal legal recognition of stakeholder interests, while important, is not by itself sufficient to promote responsible business conduct among SMEs. Given the limited financial and managerial resources available to many SMEs, stakeholder-related obligations should be designed in accordance with the principle of proportionality. In other words, regulatory expectations must reflect the actual capacity of enterprises to comply, while public policy should seek to reduce the costs associated with responsible business practices rather than merely impose additional legal burdens. From this perspective, the objective of reform is not only to strengthen accountability but also to create conditions under which responsible conduct becomes economically feasible and institutionally sustainable for SMEs.

A key implication is that Vietnam's existing SME support framework, particularly the Law on Support for Small and Medium-Sized Enterprises 2017 and Decree No. 80/2021/NĐ-CP, should be more closely integrated with stakeholder-related objectives. Currently, support measures such as preferential credit, tax incentives, training programmes, and participation in business networks are primarily aimed at enhancing competitiveness and growth. However, these instruments could also be used to encourage compliance with labour, environmental, and consumer-protection standards. Linking selected support mechanisms to demonstrable responsible business practices would help align economic-development policies with broader social objectives. At the same time, the State should strengthen technical assistance for SMEs through simplified compliance tools, sector-specific guidance, digital reporting systems, and advisory services. Such measures would address one of the most significant barriers to stakeholder governance, namely the relatively high compliance costs faced by smaller enterprises.

In addition, the policy orientation reflected in the National Green Growth Strategy and Resolution No. 68-NQ/TW should be translated into concrete and proportionate regulatory standards that can be effectively implemented by enterprises of different sizes. Rather than imposing comprehensive obligations immediately across the entire SME sector, reform should follow a gradual and evidence-based approach. Regulatory requirements could initially focus on medium-sized enterprises with greater organisational capacity before being progressively

extended to smaller firms as supporting institutions, enforcement mechanisms, and business capabilities develop. Comparative experience demonstrates that legal transplants, whether in the form of stakeholder clauses or sustainability-reporting obligations, are unlikely to achieve meaningful results in the absence of adequate implementation structures and institutional support. A phased reform strategy is therefore more likely to foster substantive stakeholder governance and long-term compliance than an approach that prioritises formal legal obligations alone.

VI. CONCLUSION

Balancing economic objectives and social responsibility within SMEs requires a regulatory framework that reflects both the structural constraints of smaller enterprises and the unequal influence of different stakeholder groups. Stakeholder theory provides a valuable analytical foundation by identifying the interests affected by business activities and explaining why legal intervention is necessary when market incentives alone fail to protect vulnerable stakeholders. The comparative analysis of Vietnam and China demonstrates a shared movement toward a more stakeholder-oriented understanding of the enterprise, although the two countries have adopted different legal approaches. China has chosen to incorporate stakeholder considerations directly into corporate law through Article 20 of the 2023 Company Law, whereas Vietnam continues to rely on a fragmented system in which stakeholder protection is primarily achieved through labour, environmental, consumer-protection, and other specialised legal regimes. The comparison offers an important lesson for future legal reform in Vietnam. On the one hand, the Chinese experience illustrates that the explicit recognition of stakeholder interests within company law is both feasible and compatible with a socialist-oriented market economy. On the other hand, the limited enforceability, conceptual ambiguity, and inconsistent application of Article 20 demonstrate that symbolic legal recognition alone is insufficient to ensure meaningful stakeholder governance. Accordingly, future reform in Vietnam should focus not only on formally recognising stakeholder interests but also on developing proportionate enforcement mechanisms, institutional support structures, and capacity-building measures that enable SMEs to comply with their responsibilities in practice. The ultimate success of such reforms should be assessed not by the existence of broad statutory declarations but by their ability to encourage enterprises, particularly smaller firms, to genuinely account for the interests of those who contribute to and are affected by their activities. Given that legal frameworks and policy instruments continue to evolve, all legal sources referenced in this study should be verified against the most recent consolidated official texts before being relied upon in subsequent research or practice.

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