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A Study on Internal Factors Affecting the Ability to Implement ESG Reporting in Businesses

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ABSTRACT: This study aims to analyze the impact of internal factors on the ability of Vietnamese enterprises to implement ESG reporting, thereby identifying the most influential factors and proposing solutions to enhance ESG readiness in the context of sustainable development and international integration. The study employs a quantitative method through a survey of 130 Vietnamese enterprises across the manufacturing, finance, and service sectors. Data was collected using a 5-point Likert scale questionnaire and analyzed using a multiple regression model in SPSS 26.0. The results indicate that management awareness is the internal factor with the strongest influence on the ability to implement ESG reporting, followed by accounting proficiency, management processes, and data infrastructure. The research model explains 56.7% of the variance in the ESG readiness index, affirming the decisive role of internal factors in enhancing the capacity for ESG reporting implementation.

KEYWORDS: ESG reporting; internal factors; Vietnamese companies; sustainable development; leadership awareness; management processes; accounting proficiency; databases; Net Zero 2050.

1. INTRODUCTION

Sustainable development has become one of the top priorities for businesses worldwide, particularly as international regulations such as the European Union's Corporate Sustainability Reporting Directive (CSRD) require listed companies to publish ESG reports starting in 2026 (European Commission, 2022). In Vietnam, a transitioning economy with an average GDP growth rate of 6.5% over the past decade, the adoption of ESG reporting is not only a legal requirement but also an opportunity for businesses to enhance their reputation, attract foreign investment, and integrate more deeply into the global supply chain (ARC Group, 2025). According to PwC's 2022 Vietnam ESG Readiness Report, only 44% of Vietnamese businesses have specific ESG plans, while the remaining 61% face challenges due to a lack of awareness, resources, and internal capabilities (PricewaterhouseCoopers Vietnam, 2022). Internal factors, including leadership awareness, the professional competence of accounting teams, internal management processes, and data infrastructure, play a decisive role in the implementation of ESG reporting, but have not been fully studied in Vietnam (Nguyen Duc Thanh Phong et al., 2024).

These challenges are particularly pronounced among small and medium-sized enterprises (SMEs), which account for over 70% of all businesses in Vietnam, as limited resources and a lack of understanding of international standards such as the Global Reporting Initiative (GRI) slow down the process of ESG integration (Do Minh Chau & Do Minh Nhat, 2024). For example, a 2023 survey by the Vietnam Institute for Organizational Development (VIOD) revealed that 68% of SMEs had never heard of the concept of ESG, and only 15% of them planned to implement reporting within the next five years (Vietnam Institute for Organizational Development, 2023). In contrast, large enterprises, particularly in the financial and manufacturing sectors, have begun integrating ESG to meet requirements from international partners, but still face internal barriers such as a lack of reliable data and high implementation costs (Tran Ngoc Hoa & Nguyen Thi Thanh Huong, 2025).

This study aims to analyze the impact of internal factors on the ability to implement ESG reporting in Vietnamese businesses, based on empirical data from surveys and statistical analysis. The main research question is: "Which internal factors have the strongest influence on the ability to implement ESG reporting, and how can they be improved?" The expected results will provide a theoretical and practical foundation to support Vietnamese businesses, particularly SMEs, in enhancing their ESG capabilities, thereby contributing to the national sustainable development strategy by 2050 (Nguyen Hoang Nam, 2025). The study also aims to address a research gap in Vietnam, where existing literature primarily focuses on external factors such as legal regulations or market pressures, while overlooking the role of internal factors (Le Thi Thu Ha & Pham Van Tuan, 2024).

2. THE THEORETICAL FOUNDATIONS OF ESG REPORTING AND INTERNAL FACTORS

ESG reporting is a strategic tool designed to provide transparency regarding a company's activities in three areas: environmental, social, and governance. According to legitimacy theory, companies need to publish ESG reports to maintain social acceptance and stakeholder approval, thereby strengthening their market position (Tran Ngoc Hoa & Nguyen Thi Thanh Huong, 2023). Meanwhile, stakeholder theory emphasizes that meeting the expectations of investors, customers, and regulatory agencies through ESG helps businesses mitigate legal and financial risks (Li Jing & Wang Ying, 2025a). In Vietnam, pressure from free trade agreements such as the EVFTA has made ESG a mandatory requirement for exporting businesses, particularly in the textile and food industries, where European partners require ESG reports compliant with GRI or SASB (Sustainability Accounting Standards Board) standards (Suttipun & Yordudom, 2024).

Internal factors play a foundational role in the implementation of ESG reporting, including: (1) Leadership awareness, which determines resource allocation and strategic direction; (2) Accounting proficiency, which affects the quality and accuracy of ESG data; (3) Management processes, related to the level of digitalization and internal organization; and (4) Data infrastructure, which determines the ability to collect and process information (Nguyen Duc Thanh Phong et al., 2024). According to research by Nguyen Thi Minh Anh and colleagues, companies with leadership that has a high level of ESG awareness typically invest more in technology and training, resulting in a 30% higher ability to implement reporting compared to companies lacking leadership commitment (Nguyen Thi Minh Anh et al., 2024a). However, in Vietnam, only 25% of businesses have ESG training programs for leadership, and 35% have data systems suitable for meeting international standards (PricewaterhouseCoopers Vietnam, 2022). The absence of these internal factors not only reduces the quality of reporting but also leads to the risk of "greenwashing" (misleading communication about sustainability), harming corporate reputation and the ability to access international capital (Nguyen Thi Thu Ha & Tran Thi Thanh, 2023).

3. RESEARCH METHOD

This study employed a quantitative survey methodology involving 130 Vietnamese companies from the manufacturing, finance, and service sectors, conducted from November 2025 to January 2026. The survey sample included 55% of companies listed on the HOSE and HNX exchanges and 45% of unlisted private companies, ensuring representativeness of the various types of businesses in Vietnam. The questionnaire was designed using a 5-point Likert scale, focusing on four independent variables: leadership awareness (measured by the priority of ESG in strategy), accounting proficiency (years of experience and international certifications such as ACCA, CPA), management processes (level of ERP adoption and digitalization), and data infrastructure (capacity to collect and store ESG data). The dependent variable is the ESG Readiness Index, constructed based on GRI standards and the research by Nguyen Thi Minh Anh et al. (2024b).Dữ liệu được phân tích bằng phần mềm SPSS 26.0, sử dụng mô hình hồi quy đa biến để kiểm định mối quan hệ giữa các nhân tố nội tại và chỉ số sẵn sàng ESG. Kết quả phân tích cho thấy hệ số $R^2 = 0.567$, tức là mô hình giải thích được 56.7% biến thiên của chỉ số sẵn sàng ESG, với độ tin cậy thống kê cao ($p < 0.01$).

In addition to primary data, to ensure the internal consistency of the survey questions, the study utilizes secondary data from PwC's 2022 Vietnam ESG Readiness Report and the 2023 survey by the Vietnam Institute for Organizational Development (VIOD) to provide comparative analysis and practical context (PricewaterhouseCoopers Vietnam, 2022; Vietnam Institute for Organizational Development, 2023). These sources provide information on ESG commitment rates and internal barriers in Vietnam, helping to clarify the overall picture of corporate readiness.Dưới đây là bảng số liệu thu thập được về mức độ sẵn sàng ESG theo các nhân tố nội tại, dựa trên khảo sát 130 doanh nghiệp.

4. RESULT FROM

Table 1. ESG Readiness Levels Based on Internal Factors of Vietnamese Companies

Internal Factors	Mean	Standard Deviation	Percentage of Companies Achieving a High Score (≥4) (%)
Leader's awareness	3.85	0.92	62
Accountant's level	3.42	1.05	48
Management Processes	3.21	0.88	41
Databases	2.98	1.12	35

The table above shows significant differences among internal factors in supporting the implementation of ESG reporting at Vietnamese companies. Leadership awareness scored the highest average (3.85), with 62% of companies rating this factor as good (≥4), reflecting a growing trend of viewing ESG as part of a long-term strategy (Nguyen Duc Thanh Phong et al., 2024). This aligns with the 2025 report by ARC Group, which indicates that international investors prioritize companies with strong ESG commitments, leading to a 20% increase in access to capital compared to companies that do not adopt ESG practices (ARC Group, 2025). However, the dataset has the lowest average score (2.98), with only 35% of companies achieving a high score, indicating significant limitations in the collection and processing of ESG data, particularly among small and medium-sized enterprises (PricewaterhouseCoopers Vietnam, 2022). The high standard deviation (1.12) of the dataset also highlights disparities among businesses, with large companies using ERP systems (such as SAP or Oracle) achieving higher efficiency compared to SMEs reliant on Excel spreadsheets. These limitations increase the risk of "greenwashing" and reduce the reliability of ESG reporting, requiring businesses to invest more heavily in technology infrastructure to improve the average ESG readiness score (3.37).

Multivariate regression analysis shows that leadership awareness is the most important internal factor, with a regression coefficient $\beta = 0.452$ ($p < 0.01$), as leaders not only set strategic direction but also determine the allocation of resources to ESG—a finding consistent with the research by Nguyen Duc Thanh Phong (Nguyen Duc Thanh Phong et al., 2024). Companies whose leaders participate in international ESG training programs (such as those offered by PwC or GRI) have a 25% higher reporting implementation rate than other companies. Accounting expertise ranks second with $\beta = 0.378$ ($p < 0.05$), as accounting staff holding international certifications such as ACCA or CPA help standardize ESG data according to standards like GRI or TCFD, consistent with the research by Nguyen Thi Minh Anh (Nguyen Thi Minh Anh et al., 2024b). Management processes ($\beta = 0.312$) and data infrastructure ($\beta = 0.289$) also play a significant role, particularly in ensuring data consistency and transparency; companies using ERP systems are able to collect environmental data (such as carbon emissions) 30% more accurately than those using manual methods.

A notable finding is that companies with a female representation on the board of directors exceeding 20% demonstrate a 15% higher capacity for ESG implementation, according to logistic regression analysis. This aligns with research by Tran Ngoc Hoa, which found that gender diversity in leadership enhances decisions related to social and environmental responsibility (Tran Ngoc Hoa & Nguyen Thi Thanh Huong, 2023). However, in Vietnam, only 17% of listed companies have a female representation on their boards of directors at this level, indicating a need to improve gender diversity to advance ESG (Vietnam Institute for Organizational Development, 2023). Additionally, companies in the financial sector have an advantage due to regulatory pressure from the State Bank of Vietnam, while the service and manufacturing sectors face greater challenges due to a lack of resources and awareness.

The following table presents data on ESG adoption rates by industry, based on secondary data from PwC's 2022 Vietnam ESG Readiness Report, updated in 2023 with a survey sample of 234 companies (PricewaterhouseCoopers Vietnam, 2022).

Table 2. Adoption and Implementation Rates of ESG Reporting by Industry in Vietnam

Industry	ESG Commitment Rate (%)	Rate of Companies with Full ESG Reports (%)
Manufacturing	66	28
Finance	80	45
Services	55	22

The table above illustrates the significant disparity among sectors in the implementation of ESG reporting in Vietnam. The financial sector leads the way, with 80% of companies making ESG commitments and 45% submitting full reports, driven by pressure from State Bank of Vietnam regulations and demands from international investors (Tran Ngoc Hoa & Nguyen Thi Thanh Huong, 2025). In contrast, the services sector achieves only 55% commitment and 22% full reporting, reflecting limited awareness and a lack of financial resources (PricewaterhouseCoopers Vietnam, 2022). The manufacturing sector, despite a high commitment rate (66%), saw only 28% of companies submit full ESG reports, due to limitations in data infrastructure and management processes (Vietnam Institute for Organizational Development, 2023). This disparity underscores the need to tailor internal factors to industry-specific characteristics; for example, investing in ERP systems in the manufacturing sector could increase the reporting rate from 28% to the regional average of 40% (Suttipun & Yordudom, 2024). Data from VIOD also indicates that exporting firms in the manufacturing sector are 10% more likely to implement ESG initiatives than firms serving only the domestic market, driven by pressure from international partners (Vietnam Institute for Organizational Development, 2023). Overall, this data underscores the importance of enhancing internal capabilities—particularly management processes and data infrastructure—to bridge the gap across sectors and achieve national goals for ESG transparency.5. DISCUSSION ON CHALLENGES AND SOLUTIONS FOR IMPROVING DEPLOYMENT CAPABILITIES

The main challenges in implementing ESG reporting in Vietnam include: (1) a lack of reliable data, affecting 35% of businesses, particularly SMEs (PricewaterhouseCoopers Vietnam, 2022); (2) high training costs, resulting in only 41% of businesses having management processes that support ESG (Do Minh Chau & Do Minh Nhat, 2024); and (3) limited awareness among leaders in private-sector businesses, leading to a prioritization of short-term profits over sustainable strategies (Nguyen Duc Thanh Phong et al., 2024). For example, a 2023 PwC survey found that 60% of SMEs do not have a dedicated budget for ESG, and 45% lack staff with sustainable data analysis skills (PricewaterhouseCoopers Vietnam, 2022). Additionally, a lack of coordination among departments within the company reduces the effectiveness of ESG data collection, particularly in measuring environmental metrics such as carbon emissions or the use of renewable energy (Li Jing & Wang Ying, 2025b).

To address these challenges, the study proposes several specific solutions. First, companies need to increase the proportion of women in leadership roles, as gender diversity can improve ESG performance by 12% through more balanced decision-making (Nguyen Duc Thanh Phong et al., 2024). Second, investing in information technology systems, particularly ERP, can reduce ESG reporting costs by 20% and increase data accuracy by 30% (Nguyen Thi Minh Anh et al., 2024a). Third, collaborating with international organizations such as PwC or GRI to provide independent training and certification programs will help businesses standardize ESG reporting according to international standards (PricewaterhouseCoopers Vietnam, 2022). Finally, businesses should integrate ESG into their core strategy, as research in Southeast Asia shows that companies adopting ESG achieve 15% higher long-term profits (Suttipun & Yordudom, 2024). These solutions not only help businesses overcome internal barriers but also lay the foundation for sustainable development, contributing to Vietnam's Net Zero goal by 2050.

6. CONLUSSION

This study confirms that internal factors such as leadership perception, accounting proficiency, management processes, and databases play a decisive role in the implementation of ESG reporting at Vietnamese enterprises. Regression analysis results show that leadership awareness is the most important factor ($\beta = 0.452$), followed by accounting proficiency ($\beta = 0.378$), with empirical data from a survey of 130 companies indicating that improving these factors can increase the ESG readiness index by 25%. Challenges such as a lack of reliable data and high training costs require businesses to invest in technology and human resources, while integrating ESG into their long-term strategies. These solutions not only help businesses comply with international regulations such as the CSRD but also enhance their competitiveness in the global market, particularly as Vietnam commits to achieving Net Zero by 2050. Recommendations include: (1) organizing ESG training programs for leadership and accounting staff; (2) building a unified database based on the ERP system; and (3) increasing gender diversity in leadership to improve sustainability-related decisions. This study provides a scientific and practical foundation to support Vietnamese businesses in transitioning to a sustainable business model, contributing to the national green development goals and international economic integration.

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