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PHAN VAN THANH

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**Head of the doctoral school:
Prof. Dr. IMRE FERTŐ DSc.**

**Supervisor:
Dr. habil. PODRUZSIK SZILÁRD**

**THE COMPETITIVE IMPACT OF CORPORATE
SOCIAL RESPONSIBILITY ON SMEs IN VIETNAM**

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Chapter 1
INTRODUCTION

This chapter provides an overview of the research, summarizes, and discusses recent articles related to the topic research, then draws conclusions and presents research questions, research objectives, hypotheses, and research models. The final section of this chapter shows the structure of the dissertation.

RESEARCH BACKGROUND

There have been constant changes in societies and the world economy in the era of globalization, affecting the way we do business. It changes the rules of competitiveness among companies and requires greater involvement of enterprises in the ethical perspective of the business. Mallen and Chard (2012) demonstrate that the link between business and society has changed. Business and culture have become closer because of social and environmental problems around the world. Hence, CSR's concept has emerged and played an important role as an approaching strategy between firms and society. As can be seen, nowadays, the more a company integrates CSR as part of its core business, the more profitable and competitive the company becomes. It has been proven by numerous studies and successful cases in developed countries. A huge amount of theoretical and empirical researchers has entirely addressed the issues of CSR since the 1950s, and it is now gaining more importance. However, in the case of developing countries, there are limited systematic studies to review CSR's concept in general and the role of CSR in competitiveness in specific to date.

It can be said that CSR is a well-researched area for developed nations and big companies. But CSR in the small and medium enterprise - the majority of the registered firms in developing countries - is a relatively new concept,

especially in the case of emerging markets. According to the European Competitiveness Report (2008), there is a positive relationship between SMEs' CSR activities and their enhanced competitiveness, at least happening in the long-term period. To remain competitive, business managers should determine how their businesses can become socially responsible, ecologically, sustainable, and economically competitive (Orlitzky, Siegel, and Waldman, 2011). CSR has become, in reality, increasingly important to the competitiveness of SMEs (Turyakira, Venter, and Smith, 2014). Although the comprehensive practical and academic documents have perceived CSR's crucial role and its impacts on competitiveness, few theoretical and empirical contributions could be found, especially in developing countries.

In the Vietnam context, a developing country, many big companies are aware that to develop sustainably, companies must comply with environmental protection standards, labor rights, talent management, labor safety, gender equality, equal pay, and community improvement. They performed hundreds of actions, such as saving energy, donating build school, using recycled materials, reducing carbon emissions, or helping sufferers of natural disasters. Besides, recent studies concluded that SMEs are performing an essential role in the national economy, especially in Vietnam. In 2018, the Vietnam Ministry of Planning and Investment reported that Vietnam has about 610.000 active enterprises, 96,9% of whom are SMEs. They account for 38 percent of the country's total labor force and add about 30 percent of Vietnam's GDP (Ministry of Planning and Investment, 2020).

Furthermore, recent researches have shown that CSR benefits both business and society, both large and SMEs (Udayasankar, 2007). However, the

implementation of CSR in Vietnamese SMEs encountered many obstacles and limitations. These obstacles and barriers come not only from the business itself but also from the operating environment (Phan and Podruzsik, 2018).

Thus, this study's main contribution is the new proposed research model to investigate the impact of CSR on competitiveness levels of SMEs based on the various theoretical CSR and competitiveness factors. A second contribution is a methodology that applies structural equation modeling to a more in-depth investigation of the connections between CSR and competitiveness variables. Finally, the results of this research are not only important for future researchers on CSR and competitiveness and the case of developing countries in particular but also help Vietnamese SMEs how to increase their competitiveness level to obtain the object of sustainable development.

CSR and CSR in developing countries

Corporate Social Responsibility

Since it first emerged from Bowen's seminal work in 1953, the CSR concept has had more than 65 years of history. However, it is still complex and complicated. It is complex not only because of the nature and context of the problems but also because of four distinct agendas that are engaged in the definitional enterprise (Sheehy, 2015). Many scholars have attempted to develop CSR concepts such as A. B. Carroll (1979, 1999), Wood (1991), Van Marrewijk (2003), Dahlsrud (2008), etc. However, the authors have not reached the consensus about CSR definition as CSR varies in context, content, process, and value. The early definition of CSR more often referred to social responsibility than to CSR, *"It refers to the*

obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (Howard R. Bowen, 1953). In the paper published in 1979, Archie Carroll proposed a four-part definition of CSR: *“The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of the organization at a given point in time”* (Carroll, 1979). In another paper published in 1991, the pyramid of CSR introduced by Carroll is one of the earliest attempts to integrate the corporation's economic and social responsibilities (Carroll, 1991).

In another study conducted by Dahlsrud, CSR definitions could be categorized by five dimensions, including Environmental; Social; Economic; Stakeholder; and Voluntariness (Dahlsrud, 2008). Dahlsrud also pointed to the definition of CSR with the highest frequency counts from Google to the Commission of the European Communities (European Commission, 2001), which defined CSR as *“A concept whereby companies integrate social and environmental concerns in their business operations and their interaction with their stakeholders on a voluntary basis.”* Besides this definition, other definitions are referring to five dimensions of CSR, *“which are defined by Business for Social Responsibility in 2000 and 2003; International Business Leaders Forum (IBLF) in 2003; Global Corporate Social Responsibility Policies Project in 2003; UK Government in 2001; and Van Marrewijk, 2003”* – retrieve from Dahlsrud (2008). The rest of the 37 analytical definitions in Dahlsrud's study refer to four, three, two, or even just one dimension of CSR – retrieve from Dahlsrud (2008). However, in the recent review article, Wang & Gao (2016) summarized the definition of CSR into four common perspectives, including (1) an integrative

perspective, namely, those definitions generated from a spectrum of views ranging from stakeholder concerns to social issues; (2) an economic perspective, espoused by those researchers who believe that the aim of CSR activities is the maximization of profit, which emphasizes the benefits to shareholders and internal stakeholders; (3) a voluntary perspective, espoused by those researchers who believe that firms should take some philanthropic action in accordance with local laws to improve social welfare; and (4) a public perspective, where scholars argue that a CSR strategy should be designed to fit the social system.

Therefore, it can be stated that CSR is more than charity and philanthropy. CSR is the commitment of enterprises to integrate social and environmental responsibility into their business operations to improve the quality of life of stakeholders. CSR is *“the continuing commitment by business to contribute to the economic development while improving the quality of life of the workforce and their families as well as of the community and society at large”* (WBSCD, 2000). CSR is about creating business and social value, about aligning and balancing shareholder, about societal and environmental interests. CSR is defined as how a company achieves a balance of economic, ecological, and social imperatives while at the same time, addresses the expectation of shareholders and stakeholders (UNIDO, 2010). An effective CSR strategy balances the interests of shareholders, society, and the planet, making businesses stronger and more sustainable.

CSR in developing countries

The difference from the great interest with the concept of CSR in general, there is a limited systematic review of the concept of CSR in developing countries to date. CSR's unique elements in developing countries have been

referred to the literature, with CSR commonly characterized as less formalized, more sunken, and more philanthropic in nature (Jamali and Neville, 2011). Research by Ali, Frynas, & Mahmood concluded that the CSR report received different attention from stakeholders in developed and developing countries (Ali, Frynas and Mahmood, 2017). Interested stakeholders in developed countries are usually shareholders, regulators, creditors, investors, environmentalists, and the media. In contrast, in developing countries, they are international buyers, foreign investors, global media, and international regulatory bodies such as the World Bank. Moreover, in contrast to developed countries, companies in developing countries receive relatively lower pressures in CSR reports.

In another context, a study by Jamali & Mirshak shows that economic and legal factors are receiving more interest in developing countries in pursuing CSR (Jamali and Mirshak, 2007). This study also concludes that CSR in developing countries is very different from developed countries because of the weak institutional environment emphasized by arbitrary law enforcement, bureaucracy inconsistency, insecurity of property rights, and corruption. Operating in a situation like this, a company that strictly enforces rules and regulations can be considered a responsible company. Further enhancing the need to explore CSR in developing countries is a different argument against the possibility of converting the frameworks and conclusions drawn from developed countries into developing countries (Idemudia, 2011).

Raynard & Forstater stated that CSR imposes new demands on SMEs in developing countries. Social and environmental principles are progressively a precondition for doing business with transnational corporations (Raynard and Forstater, 2002). There are expressed in terms

of individual supply chain codes of conduct and certification programs across the industry. Market change can increase the impact of environmental and social concerns beyond issues directly related to transnational corporations. This can happen through local competition, by strengthening the mechanism to ensure compliance with local law, by targeting investment or changing consumer demand. Therefore, CSR needs to be integrated into core business strategies. If this is done, it can still be strong, even if the CSR is a vulnerable charity allowance to cut costs. CSR's long-term success will be based on its ability to be at the core of its business and development strategy, thereby becoming part of "business as usual."

In Vietnam, a developing country, there are limited theoretical and empirical contributions to CSR to date. According to Nguyen Ngoc Mai, CSR is understood as the enterprise commitments to contribute to the sustainable economic development, through improving living quality of laborers, of their own families, of the community and the whole society, in the way which is beneficial to both the enterprises and the general development of the society (Nguyen Ngoc Mai, 2013). In fact, for sustainable development, the enterprises are required to comply with standards of environmental protection, gender equality, labor safety, labor rights, equal salary payment, training staff, and developing the community. Many big enterprises are aware of such matter; thus, implementing the CSR becomes one of the crucial requirements. In the context of globalization and international integration, enterprises will not be able to gain access to the global market if the enterprises fail to implement their social responsibility effectively. Hence, CSR has become one of the essential requirements of Vietnamese companies.

In summary, in developed countries, CSR is a development strategy, a mode of business operation. They consider social responsibility as a decisive factor in sustainable development and their constant profit increasing. Therefore, all behaviors towards their business decisions, as well as their business methods, are subject to standards and regulations of the society both morally and legally. On the other hand, the moral standard in the developed countries is an essential factor for each business person and each enterprise. And their complete legal system plays a main role in preventing immoral business operations. Besides, these countries have their network of institutions, including comprehensive business ethics. Thus, the compliance of such moral standards is creating value to enterprises, such as decreasing expenses and increasing capacity, contributing to increasing revenue, improving the trademark and reputation of enterprises, attracting skilled laborers, and expanding the approach of products and services to the international market. Meanwhile, it is not easy to implement CSR in developing countries since their legal system is not complete, and monopoly, corruption, and group interests have dramatically affected society.

Also, in recent years, an increasing number of companies worldwide established and integrated the CSR policy. This trend also raised a question: how does CSR shape or influence enterprises' competitiveness, especially SMEs? Many researchers have already stated that CSR can contribute to several social, environmental, and economic policy objectives. However, what are the proven findings of CSR benefits on individual determinants of business competitiveness? In contrast, what is the proof for arguments suggesting that CSR has no relation to benefits on competitiveness? The comparisons of previous research studies can help us at least partially

answer these questions. Therefore, one of the main aims of this study is to identify and empirically test the CSR factors influencing the competitiveness of SMEs in Vietnam.

Small and Medium-sized Enterprises and Vietnamese SMEs

Small and Medium-sized Enterprises

Similarly, the concept of SMEs has not achieved a universally accepted definition. The definition of SMEs varies in context across countries, industries, organizations, agencies, and the academic community. SMEs are often defined numerically or specifically to cover companies with a workforce ranging from 1 to 100 employees and, in some cases, up to 250 employees as the upper limit. Statistically defined, the lower bound for the number of employees for the "small scale enterprises" is usually put at between 5-10 workers, and the upper limit is ranged from 50-100. The upper limit for the "medium-sized enterprises" is often 100-250 employees. The European Union Standard definition for SMEs is any business with fewer than 250 employees and a turnover of up to 50 million Euros and a balance sheet of about 43 million Euros. This definition may not apply to all countries. Therefore, SMEs encompass a very broad range of enterprises from an established traditional family business employing over a hundred people to survivalist self-employed people working in informal microenterprises.

SMEs are also defined in terms of qualitative criteria such as holding a small market share, personal management by owners, or even lacking a formalized bureaucratic structure. Therefore, SMEs are distinguished from larger companies by such characteristics as owner-managed, independent, multitasking, cash limited, personal relationships, and informality. Spence

& Lozano (2000) note that SMEs are majorly oriented toward solving day-to-day problems. There is also the dominance of informal relations, interpersonal relations, and communication. Enderle (2004) states that there is a high degree of interrelation with their environment or community of operation. The SMEs are subject to the market dynamics that are determined by large enterprises through the supply chain.

Vietnamese SMEs

In Vietnam, the number of registered enterprises increases on average by 14 percent annually from 2011 to 2016, and almost all of the registered enterprises are SMEs. In addition, recent research concluded that SMEs play a vital role in the national economy, especially in the Vietnamese economy. In fact, in 2012, according to Shinozaki (2012), Vietnamese SMEs account for 97,4 percent of the number of registered companies. SMEs account for 77,3 percent of the country's total labor force and contribute 26 percent of Vietnam's GDP. Moreover, in a recent survey by CPA Australia, the institute reported that 90,7 percent of Vietnamese SMEs grew in 2017, and 93,7 percent expect to grow in the next 12 months. Only 47,5 percent of Singapore's small businesses reported that they grew in 2017, and 93,4 percent of Indonesian small businesses reported they grew. These figures partly explain the importance of SMEs to Vietnam's economic development and the growing interest of domestic and foreign researchers in Vietnamese SMEs.

According to article 6 of the Vietnamese Government's Decree No. 39/2018/ND-CP, *"SMEs are business establishments registered in accordance with the law. It is divided into three levels: micro, small and medium scale (the total capital equivalent to the total assets determined in*

the enterprise's balance sheet or the average labor force is a priority criterion)" (Table 1). SMEs encompass a very broad range of enterprises from an established traditional family business employing over a hundred people to survivalist self-employed people working in informal microenterprises.

Table 1. SME criteria by the Vietnamese Government's Decree No. 39/2018/ND-CP

<i>Business sector</i>	<i>Company category</i>					
	<i>Micro</i>		<i>Small</i>		<i>Medium-sized</i>	
	A & R* (Bil. VND)	L**	A & R* (Bil. VND)	L**	A & R* (Bil. VND)	L**
<i>I. Agriculture, forestry, and fisheries</i>	A ≤ 3 or R ≤ 3	L ≤ 10	A ≤ 20 or R ≤ 50	10 < L ≤ 100	A ≤ 100 or R ≤ 200	100 < L ≤ 200
<i>II. Industry and construction</i>	A ≤ 3 or R ≤ 3	L ≤ 10	A ≤ 20 or R ≤ 50	10 < L ≤ 100	A ≤ 100 or R ≤ 200	100 < L ≤ 200
<i>III. Trade and services</i>	A ≤ 3 or R ≤ 10	L ≤ 10	A ≤ 50 or R ≤ 100	10 < L ≤ 50	A ≤ 100 or R ≤ 300	50 < L ≤ 100

Source: Summary from the Vietnam Government's Decree No. 39/2018/ND-CP

Note: (*) A: Total assets (Bil. VND); R: Total revenue of the year (Bil. VND); (**) L: The average number of employees participating in social insurance of the year.

In summary, Vietnamese SMEs are limited by the financial resources, personnel, size of the business, and usually, the business owner is also the director. They focus more on profit maximization than on social responsibility. However, recent studies implied that CSR benefits both business and society, both large and SMEs (Udayasankar, 2007). The benefits of implementing CSR in SMEs include improved image and reputation; improved trust and understanding; larger, more prominent profile; better market position; increased sale volumes; increased employer motivation; increased attractiveness to potential recruits; cost-saving and increased efficiency; enhanced risk management; benefits for company

culture; enhanced customer satisfaction, employee loyalty. (Jenkins, 2006) and (Dzansi, 2011). Therefore, this study focuses on analyzing Vietnamese SMEs and trying to help Vietnamese SMEs how to increase their competitiveness.

Competitiveness and its dimensions

Despite its acknowledged importance, the concept of competitiveness is often controversial and misunderstood (Lin, Yang, and Liou, 2009). In general, competitiveness is a multidimensional concept that can be used at the country, industry, and firm levels (Ambastha and Momaya, 2004). At a country level, some commonly accepted indicators quantify and qualify competitiveness by different dimensions (Budd & Hirmis (2004), Porter (1998), Zadek (2006)), producing several benchmarks such as the Global Competitiveness Report (World Economic Forum, 2017) or the World Competitiveness Yearbook (IMD, 2006). The same is not true at a sector or organizational level, for which there are no agreed frameworks or measurements for competitiveness (Draper, 2006).

Generally, competitiveness is described as the strength of an organization compared with its competitors (Murtha and Lenway, 1994) or is considered synonymous with success (Turyakira, Venter, and Smith, 2012). The success of a competitive business can be measured by objective criteria, including return on investment, market share, profit, and revenue from sales (Sultan, 2007). In another context, many authors have considered productivity a good indicator of competitiveness at a firm level (Porter, 1985). However, to know the firm competitiveness level, it is necessary to identify and analyze factors such as financial performance, costs reduction, and technological adoption (Buckley, Pass and Prescott, 1988) and (Cho,

Leem and Shin, 2008). Similarly, John Kay described firm competitiveness in terms of four factors: the capacity to innovate, key internal and external relationships, reputation, and strategic assets (Kay, 1993). Competitiveness is also treated as a dependent variable, and it refers to a business's ability to sustain its long-term performance better than its competitors in the market, as indicated by profitability, market share, sales, and growth rate (Turyakira, Venter, & Smith, 2014) and (Battaglia *et al.*, 2014). The competitive performance can also be measured by seven items: Sales, Market share, Customer satisfaction, Benefits/utility, Profitability, Quality of products, and technological superiority (Herrera Madueño *et al.*, 2016).

In sum, there are many competitiveness definitions, frameworks, and proposals (Ambastha and Momaya, 2004). Still, in this study, we propose that they can be grouped on three key dimensions: (1) Financial performance, including standard financial measures such as sales revenue, profit margin and return on assets (Yuen, Thai, and Wong, 2017) (Jain, Vyas and Roy, 2017); (2) Innovative performance, including products and services as well as management processes, labor management and marketing method (Mintzberg, 1987), (Battaglia *et al.*, 2014) and (Reverte, Gómez-Melero and Cegarra-Navarro, 2016); (3) Relational performance, including company image and relations with stakeholders (Herrera Madueño *et al.*, 2016).

Some recent articles related to the topic research

Corporate social responsibility (CSR) has become increasingly important to the competitiveness of small and medium-sized enterprises (SMEs) (Turyakira, Venter, and Smith, 2014). In the article *"The Impact of Corporate Social Responsibility Factors on the Competitiveness of Small*

and Medium-Sized Enterprises," Turyakira et al. have been to identify and empirically test the CSR factors influencing the competitiveness of SMEs in Uganda. Their measuring instrument was taken from previous researches and consisted of two sections. Section A consisted of 60 statements (items) related to CSR factors that influence SMEs' competitiveness, using a seven-point Likert scale ranging from 1 = strongly disagree and 7 = strongly agree as limits. Section B of the questionnaire sought demographic information relating to the respondents and the SMEs in which they operate and consists of seven variables using a nominal scale. To select respondents and receive 383 usable questionnaires from different industrial sectors in the Kampala District in Uganda, they used a non-probability sampling technique: purposive sampling. Their study's empirical results indicate that workforce-oriented CSR activities, society-oriented CSR activities, market-oriented CSR activities, and regulated CSR activities significantly influence SMEs' competitiveness.

Similarly, in the article *"The Relationship between Corporate Social Responsibility and Competitiveness in Mexican SMEs"*, Castro, Guzman, and Serna (2015) have analyzed the effects of CSR at the level of competitiveness in Mexican SMEs. They took six dimensions from previous studies, including three dimensions to measure the CSR scale: social, environmental, and economic; and three factors to measure the level of competitiveness: financial performance, costs reduction, and the use of technology. All the items of them are on a 5 point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree as limits. The results from the analysis a sample of 397 enterprises show that CSR has positive effects at the SMEs' competitiveness level. Their outcomes imply that any enterprise can improve its competitive level if it can, firstly, adapt its daily activities

(both internal and external) to CSR. Secondly, to adopt or enhance the management controls in the production process, it can offer customers the certainty that its products do not affect the environment. Thirdly, to have stakeholders that constantly improve their operative activities by adopting or incorporating new technologies, they give the enterprises raw materials and services that are environmentally friendly.

In 2012, Ljubojevic, Ljubojevic, and Maksimovic (2012) conducted a survey to assess the link between strategic CSR activities in financial companies and the achievement of sustainable competitive advantage. In the article "*Social Responsibility and competitive advantage of the companies in Serbia*," they used a Company questionnaire with 13 questions for managers of financial services companies in the Republic of Serbia. They sent 20 questionnaires to 20 financial institutions out of 33 banks and 22 insurance companies currently present on the Serbian market, which received ten responses. The results obtained that a positive trend in organizational forms that are holders of CSR activities in financial services companies has been observed. Even though most companies define CSR policies, but do not make them public, they are not used as a means of achieving competitive advantage. Research results obtained in a country that is in slow transition, compared to the former socialist economies, represent a special contribution.

In another context, Battaglia *et al.* (2014) analyzed the link between CSR adoption and competitiveness among SMEs operating in the fashion industry. In the article "*Corporate social responsibility and competitiveness within SMEs of the fashion industry: Evidence from Italy and France*," they measured the level of adoption of CSR practices by using a set of questions to investigate the adoption of a specific CSR

initiative. Data were collected utilizing a standard questionnaire, created according to the OECD survey "Environmental Policy and Firm-Level Management" and divided into three main sections: The main features of the interviewed firms; The CSR tools implemented by the firm, such as formal tools (e.g., voluntary certification), environmental initiatives, actions involving the supply chain, and so on; and Competitive performances, such as Market performance; Innovation performance; Intangible performance. Based on the analysis of 213 SMEs in Italy and France, the results show a significant correlation between the innovation process, both from the technical and the organizational point of view, and the intangible performances. On the other hand, another competitiveness macro-category, which is the market performance (measured as demand trend, turnover, and business attraction), presents deceptive results. However, a positive correlation with the adoption of market-oriented CSR practice emerges.

Finally, in the latest article published in 2016, named "*Relationship between corporate social responsibility and competitive performance in Spanish SMEs: Empirical evidence from a stakeholders' perspective*," Herrera Madueño *et al.* (2016) analyzed the existence of a direct or mediated relationship between the development of CSR practices and competitive performance from a multi-stakeholder perspective. They also employed questionnaires from other studies, including 24 items to measure CSR practices in SMEs; 7 items to measure competitive performance, and 15 items to measure relational improvements. The data were collected from a sample of 481 Spanish SMEs, and the technique of partial least squares was used. The results show that the development of CSR practices contributes to increasing the competitive performance both directly and

indirectly, through the ability of these organizations to manage their stakeholders. Therefore, this study supports the social impact hypothesis and offers evidence about some intangibles, such as the relational capacity mediating the causal effect between CSR and competitive performance.

RESEARCH QUESTIONS AND OBJECTIVE

This study shall address the following research questions:

- 1. What is the current situation of CSR in Vietnamese SMEs?*
- 2. How do Vietnamese SMEs perceive and carry out CSR?*
- 3. What are the main drivers and barriers/obstacles to Vietnamese SMEs to implement CSR?*
- 4. What are the distinct CSR and competitive dimensions of Vietnamese SMEs?*
- 5. How are CSR dimensions managed towards achieving competitive benefits in Vietnamese SMEs?*
- 6. What dimension of competitiveness derives the most benefit from CSR practice in Vietnamese SMEs?*

Hence, the primary objective of this study is to identify and empirically test the CSR factors influencing the competitiveness of SMEs in Vietnam.

In order to gain the primary objective, the secondary objectives are the following:

- 1. Investigate the theoretical various CSR factors that could influence the competitiveness of SMEs in Vietnam, then develop a hypothesized model of the relationships between CSR factors and their influence on SMEs' competitiveness.*

2. *To determine appropriate measuring instruments that will empirically test the relationships as described in the hypothesized model.*
3. *To empirically test the proposed model and investigate the possible relationships between CSR factors and the competitiveness of SMEs in Vietnam.*

HYPOTHESES AND MODEL

To identify and empirically test the CSR factors influencing the competitiveness of SMEs, Turyakira, Venter, & Smith (2012), Turyakira, Venter, & Smith (2014), Battaglia *et al.* (2014), Castro, Guzman and Serna (2015) and (Herrera Madueño *et al.* (2016) proposed hypothesized model of CSR activities and competitiveness that including independent variables, mediating variables, dependent variable. The model of Turyakira, Venter, & Smith (2012) illustrates how the independent variables (workforce-oriented, society-oriented, market-oriented, and environment-oriented CSR activities) impact the mediating variables, namely, employee satisfaction, the reputation of the business and customer loyalty. These, in turn, lead to increased competitiveness (dependent variable), measured by profitability, market share, sales, and growth rate. Also, in the empirical research on SMEs in Uganda in 2014, Turyakira, Venter, & Smith (2014) indicate that workforce-oriented CSR activities, society-oriented CSR activities, market-oriented CSR activities, and regulated CSR activities significantly influence the competitiveness of SMEs.

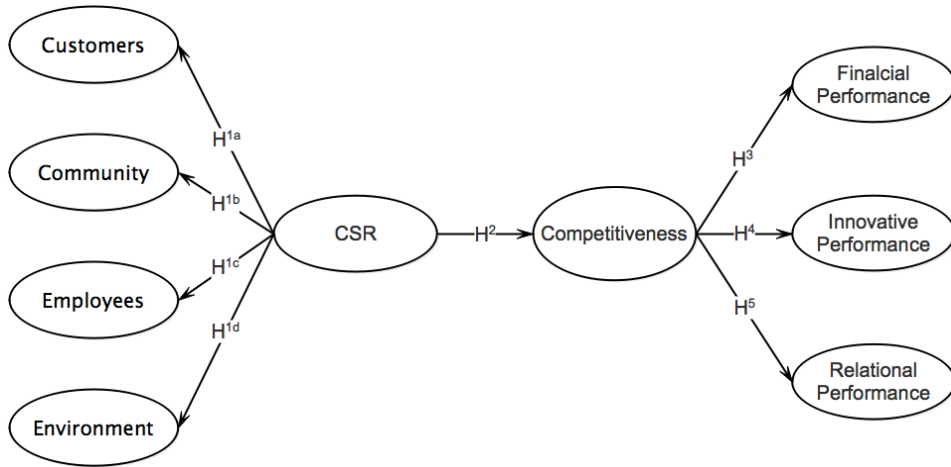
In a similar context, to classify and measure the CSR in SMEs, the Green Paper from the European Union (2001) provided a widely accepted classification that including two dimensions. *Internal dimension* includes the management of human resources, the safety, and health of employees,

change adaptation, management of environmental impact, and care of the natural resources. *The external dimension* includes the support to local communities, associates, suppliers, and customers where the firm is established, the respect of human rights, and the global environment. Besides, one of the most popular and accepted classifications provided by the scientific community, proposes the one by Elkington (1997), who establishes three dimensions. *Social Dimension* includes the relationships with the stakeholders and the ethical behavior in businesses. *The environmental* aspect comprises the impact of the company's activities in the environment in terms of responsible use of natural resources. *The economic dimension* entails the economic expectations of the suppliers and responsible trade.

However, based on CSR multi-stakeholder perspective, this study considers a CSR level (CSR level imply CSR activities that are unrelated to the four levels of Carroll's pyramid and not related to what level of management in the corporate hierarchy do they deal with CSR and compliance issues) measure which gathers items grouped around four key stakeholders: (1) Customers, (2) Community, (3) Employees, and (4) Environment (Turker, 2009), (Turyakira et al., 2012, 2014), (Battaglia et al., 2014), (Herrera Madueño et al., 2016) and (Jain, Vyas and Roy, 2017). On the other hand, to measure the firm competitiveness level, as analyzed in the previous section, this study focuses on three key dimensions, including (1) Financial performance, (2) Innovative performance, and (3) Relational performance.

Therefore, the proposed research model is as following:

Fig. 1. The proposed research model



Based on the theoretical background and the proposed research model, the following hypotheses are established:

- H^{1a} : There is a positive relationship between the customer-oriented activities and CSR level.
- H^{1b} : There is a positive relationship between the community-oriented activities and CSR level.
- H^{1c} : There is a positive relationship between the employee-oriented activities and CSR level.
- H^{1d} : There is a positive relationship between the environment-oriented activities and CSR level.
- H^2 : Competitiveness level is strongly influenced by the CSR level.
- H^3 : Financial performance is a representative measure of competitiveness level.

- *H⁴: Innovative performance is a representative measure of competitiveness level.*
- *H⁵: Relational performance is a representative measure of competitiveness level.*

DISSERTATION STRUCTURE

To address the research questions and objectives, I conducted six chapters that were combined to constitute this dissertation. Moreover, this dissertation applies type B of the dissertation structure. I conducted empirical studies to empirically test the proposed model and investigate the relationships between CSR and competitiveness levels.

Chapter one describes a brief overview of the research background, defined the research problem, states the research questions, research objectives, and the research hypotheses, shows the research model, presents a brief of the research methodology, and lastly, the dissertation structure.

Chapter two discusses the methodology adopted for the study. This chapter is divided into four sections. Section one describes the research design. Section two presents how to develop the scale of the research. Section three shows the population and sampling procedure. Section four describes the data analysis procedure.

In chapter three, I presented the first research paper related to the topic research I had done after the first semester of the study. It provided an overview of the CSR research situation in the world and Vietnamese SMEs. In chapter four, I presented the second paper investigated and fully answered the research questions: What is the current status of CSR in

Vietnam SMEs? *How do Vietnamese SMEs perceive and carry out CSR? What are the main drivers and barriers/obstacles to Vietnamese SMEs to implement CSR?* In chapter five, I investigated and answered the main research question about the relationship between CSR and competitiveness.

Finally, chapter six presents an overall discussion and conclusion regarding the several studies building this thesis and provides new scientific results and the theoretical and practical implications.

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Chapter 2
RESEARCH METHODOLOGY

This chapter describes a detailed discussion of the methodology adopted for the study. It is divided into four sections. Section one describes the research design. Section two presents how to develop the scale of the research. Section three shows the population and sampling procedure. Section four describes the data analysis procedure.

RESEARCH DESIGN

In order to test the effectiveness of the proposed model or verify the research hypotheses, this study conducts an empirical research methodology. The objective of this method is to investigate the relationship between CSR and competitiveness. According to Sekaran and Bougie (2013), the quantitative method is proper to test the hypotheses of the correlation between independent and dependent variables. Besides, the scholars concluded that a quantitative research approach is appropriate when specific hypotheses are tested, concepts are defined as distinct variables, procedures are standard, and analysis occurs using statistics, tables, and charts. The primary data is collected based on the survey strategy. According to (Saunders, Lewis and Thornhill, 2008), the questionnaire is frequently applied while adapting the survey method. In general, the scholars used to employ the survey method because it is an economical and efficient method to gather quantitative data concerned to a given population to generalize the result (Creswell, 2013). Moreover, most of CSR researchers such as (Turyakira *et al.*, 2014), (Battaglia *et al.*, 2014), (Herrera Madueño *et al.*, 2016) and (Jain *et al.*, 2017) mostly use a quantitative methodology rely on data collected through surveys. Within the quantitative method, data analysis usually occurs to test hypotheses using statistical purposes.

SCALE DEVELOPMENT

For the measurement of the constructs, different items were defined and collected in a questionnaire. Most questions will be measured through a seven-point Likert scale interval scale (1 = strongly disagree, and 7 = strongly agree). It has been widely used in surveys conducted about CSR in SMEs (Gallardo-Vázquez and Isabel Sánchez-Hernández, 2014). In this study, the investigation's factors were operationalized using reliable and valid items sourced from measuring instruments validated in previous empirical studies, as indicated in Table 1 below. However, where sufficient items were not available, additional questions were self-generated based on an intensive analysis of secondary sources to ensure that adequate items represented every variable in the measuring instrument. Where necessary, the items were rephrased to make them more relevant to the present study.

Table 1. Sources of previously validated items used in the measuring instrument

Factors	References
Corporate Social Responsibility	
<i>Customers</i>	(Turker, 2009), (Turyakira et al., 2012, 2014), (Battaglia et al., 2014), (Herrera Madueño et al., 2016) and (Jain, Vyas and Roy, 2017)
<i>Community</i>	
<i>Employees</i>	
<i>Environment</i>	
Competitiveness	
<i>Financial performance</i>	(Yuen, Thai, and Wong, 2017) (Jain, Vyas and Roy, 2017)
<i>Innovative performance</i>	(Mintzberg, 1987), (Battaglia et al., 2014) and (Reverte, Gómez-Melero and Cegarra-Navarro, 2016)
<i>Relational performance</i>	(Herrera Madueño et al., 2016)

SAMPLE AND PROCEDURE

The target population of the research was Vietnamese SMEs. We chose the survey method to collect the primary data from employees, junior managers, middle managers, and senior managers in Vietnamese SMEs. The questionnaire including three parts: General information about company and respondent; Statements related to CSR activities that influence SMEs' competitiveness; and Statements related to financial, innovative, and relational performance (Annex 1).

The research's questionnaire was created by the google-forms tool, which was regularly used by researchers for collecting data. The web-based questionnaires were distributed through E-mail platform to manage the primary data from the selected Vietnamese SMEs, based on the member list of the Vietnam Association of SMEs. Besides, the questionnaire was printed to conduct direct interviews at the companies that agreed to interview from August 2019 to December 2019. Received questionnaires will be examined to eliminate the wrongly answered questionnaires and/or contain senseless answers. They will then be recorded and stored by Google-forms and Microsoft Excel and finally imported into SPSS for data analysis.

DATA ANALYSIS PROCEDURE

This study used the Statistical Package for Social Science (SPSS) version 24 and the Analysis of Moment Structures (AMOS) software version 24 for data analysis, which was conducted to address the research questions, objectives, and hypotheses. Before conducting data analysis, the data

preparation was done on the completed questionnaires by editing, coding, entering, and cleaning the data.

Descriptive statistics such as the frequency, percentage, mean, and standard deviation were used to present data summarization of respondents' demographic characteristics. Then, the Pearson correlation coefficient was used to describe the correlations among the variables. Churchill (1979) recommended that the coefficient alpha be the first measure of the internal consistency of a set of items to assess the instrument's quality. All the items of the related factors will significant if their coefficient alpha exceeded the recommended level of 0.7, which provides evidence of reliability (Nunnally and Bernstein, 1994) (Hair et al., 1995).

The next step, confirmatory factor analysis (CFA) was carried out to assess the validity of the measurement model, fitting, and modification. CFA provides an assessment of the observed variables' reliability and validity for each latent (first- and second-order) variable (Jöreskog and Sörbom, 1996). Under the assumptions of multivariate normality, maximum likelihood estimation (MLE) is considered most appropriate with large samples (Joreskog et al., 1982). As the data satisfied the assumptions of univariate and multivariate normality, MLE will be used. The constructs under consideration will jointly be analyzed in a measurement model. The criteria, as suggested by (Bagozzi and Yi, 1988), were those factor loadings greater than 0.6 were considered statistically significant, and the Average Variance Extracted (AVE) of each pair of constructs is superior to the 0.50 recommended by (Fornell and Larcker, 1981).

Additionally, an application of the procedures suggested by (Fornell and Larcker, 1981) showed acceptable convergent and discriminant validity for

the scales. Convergent validity will be assessed by verifying the signature of the t-values associated with the parameter estimates. Check if all t-values are positive and significant ($p < 0.01$). Also, as the first test of discriminant validity, we will determine whether the correlations among the latent constructs will significantly less than one or not. Evidence of the scales' discriminant validity will be found, as none of the confidence intervals of the Φ -values (\pm two standard errors) included the value of one (Bagozzi and Yi, 1988). We also can verify that the average variance extracted (AVE) by the underlying construct is larger than the shared variance with other latent constructs. This condition, if satisfied, will further support the discriminant validity of the measures.

In another context, Cronbach's Alpha was used to examine the reliability of the scale items. The overall model fit was assessed using five goodness-of-fit indices, including the chi-square /degree of freedom (χ^2/df) ratio, the comparative fit index (CFI), the Tucker-Lewis index (TLI), the Bollen's incremental fit index (IFI), the root means the square error of approximation (RMSEA).

Finally, the structural equation modeling (SEM) was used to test the proposed hypotheses because of its ability to explain the relationships between unobserved constructs (latent variables) from observable variables (Henson and Roberts, 2006). Structural equation modeling is the appropriate methodological tool because it offers the possibility of combining and confronting theory with empirical data, performing multiple regressions between several latent variables (not directly observable, expressed by a set of observable variables that serve as indicators) to provide scientific causal explanations beyond description and associations (Fornell and Larcker, 1981) (Chin, 1998). The structural equation model is

a linear model that sets a relation between observed and latent variables and between endogenous and exogenous variables, whether latent or observed. It is divided into two sub-models: the measurement model and the structural one. The measurement model defines how the latent variables are operationalized by the observed ones, including exogenous variables and endogenous ones. The structural model describes the causal relations between latent variables.

There are two different statistical techniques for the SEM: methods based on covariance analysis and processes based on variance analysis. In this case, we carried out the study using a variance-based SEM technique: Partial Least Squares (PLS). We have used this technique, instead of covariance-based models, because it is more suitable for the implementation of predictive studies, which explore complex problems and where the previous theoretical background is scarce (Vinzi et al., 2010). Moreover, only the PLS technique allows modeling variables of a formative nature (Polites, Roberts and Thatcher, 2012). This technique has been previously used in similar studies (Blanco, Guillamón-Saorín and Guiral, 2013); (Gallardo-Vázquez and Sanchez-Hernandez, 2014); (Herrera Madueño et al., 2016), due to its potential to describe relatively new phenomena from theoretical models and measures without a thorough academic background (Chin, 1998).

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Chapter 3¹

**CORPORATE SOCIAL
RESPONSIBILITY IN VIETNAMESE
SMEs**

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CORPORATE SOCIAL RESPONSIBILITY IN VIETNAMESE SMEs

Phan Van-Thanh¹, Podruzsik Szilárd²

*¹Kaposvár University, Doctoral School of Management and
Organizational Science, Kaposvár, Hungary (thanhpv.hut@gmail.com)*

*²Corvinus University of Budapest, Department of Agricultural Economics
and Rural Development, Budapest, Hungary*

ABSTRACT

Since its first emerged from the seminal work of Bowen in 1953 so far, corporate social responsibility (CSR) has attracted an increasing attention of either social organizations, governments and scholars or other stakeholders such as enterprises and consumers. The scholars have not reached the consensus about CSR definition as CSR varies in context, content, process and value. However, today more and more enterprises both in developed and developing countries consider the social responsibility as a decisive factor of sustainable development and of their constant profit increasing. In Vietnam, for the purpose of sustainable development, the enterprises are required to comply with standards of environmental protection, gender equality, labor safety, labor rights, equal salary payment, training staffs and developing the community. Many big enterprises are aware of such matter; thus, implementing the CSR becomes one of the crucial requirements. In order to gain access to the international market as well as satisfy domestic market, Vietnamese SMEs also have to develop and integrate CSR in their business strategy. However, awareness of CSR and their CSR activities is inadequate. Based on the available literature and

the figures have been released. This paper aims to describe the practices of CSR in Vietnamese SMEs.

Keywords: Corporate Social Responsibility, CSR, Vietnamese SMEs

INTRODUCTION

Corporate Social Responsibility (CSR) has become an inescapable priority for business leaders all over the world. Governments, activists and the media demand companies to take into account the social consequences of their actions. Enterprises are trying on their strategic, tactical and operational levels to identify the appropriate ways in order to meet society's demands, at the same time achieve company performance objectives.

However, CSR initiatives, so far, have tended to focus mainly on large and multinational companies. Under pressures from the society, large companies have integrated CSR in their business strategy either in short or long term strategy. They implemented thousands actions; such as saving energy, using recycled materials, reducing carbon emissions, or some donation as school building, sufferers help of natural disasters. There are some ongoing CSR activities, such as: Pratham Books (Creating an open-sourced platform for translating books); and GiveDirectly (Creating opportunity through mobile cash transfers) doing by Google; Since 2006, Microsoft has had a formal commitment to respect human rights as a signatory of the United Nations Global Compact.

Small and medium-sized enterprises (SMEs) are playing an important role in the national economy. In Vietnam, SMEs account for up to 97% of all registered firm. SMEs account for 40% of GDP, 30% of the total value of

industrial output, nearly 80% of retail sale volume, 64% of gross goods transportation value, and 100% of the total output value in some handicraft items (CIEM et.al., 2012). In addition, recent studies have shown that CSR benefits both business and society, for both large and small and medium enterprises (Udayasankar, 2007). According to Jenkins (2006) and Dzansi (2011), benefits of implementation of CSR by SMEs include: improved image and reputation; improved trust and understanding; larger, more prominent profile; better market position; increased sale volumes; increased employer motivation; increased attractiveness to potential recruits; cost saving and increased efficiency; enhanced risk management; benefits for company culture; enhanced customer satisfaction, employee loyalty, etc.

In Vietnam, in order to achieve the goal of sustainable development, businesses are not only complying with government mandated standards of employment, environment and society, but also actively social responsibility which is not regulated by law. Because of early perceptions, many large enterprises have put CSR on the top priority to integrate into their business strategy. Similarly, Vietnamese SMEs also have to develop and integrate CSR in their business strategy. However, awareness of CSR and their CSR activities is inadequate. Therefore, the main purpose of this paper is to describe the practices of CSR in Vietnamese SMEs based on available literature and published data.

CONCEPTUAL FRAMEWORK OF CSR

The concept of CSR has first emerged from the seminal work of Bowen (1953) on the social responsibility of business generating great interest and concern among a large spectrum of people, the academics, corporate

planners, the society at large, etc. The scholars have not reached the consensus about CSR definition as CSR varies in context, content, process and value. Many scholars had attempted to develop CSR concepts such as Carroll (1979, 1999); Wood (1991); Van Marrewijk (2003), Dahlsrud (2008). According to Wang (2016), the concept of CSR can be summarized into four common perspectives, including: (1) an integrative perspective, namely, those definitions generated from a spectrum of views ranging from stakeholder concerns to social issues; (2) an economic perspective, espoused by those researchers who believe that the aim of CSR activities is the maximization of profit, which emphasizes the benefits to shareholders and internal stakeholders; (3) a voluntary perspective, espoused by those researchers who believe that firms should take some philanthropic action in accordance with local laws to improve social welfare; and (4) a public perspective, where scholars argue that a CSR strategy should be designed to fit the social system.

It can be said that CSR is an umbrella term for a variety of activities ranging from environmental protection, social work through employment law, business ethics, anti-discrimination to socially responsible investment policy. European Commission (2006) defined CSR as: “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. According to Carroll (1979), CSR is “The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organization at a given point in time”. In this paper, Carroll first introduced the now-familiar four categories of CSR, including: economic, legal, ethical and discretionary responsibilities. He explained that the four classes “are simply to remind us that motives or

actions can be categorized as primarily one or another of these four kinds”. Carroll’s pyramid (Figure 1) represents one of the earliest attempts to integrate the economic and social responsibilities of the corporation.



Figure 1. The Pyramid of Corporate Social Responsibility (Carroll, 1991)

In addition, the World Business Council for Sustainable Development (WBSCD, 2000) defines CSR as “the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large”. Corporate Social Responsibility is defined as the way through which a company achieves a balance of economic, environmental and social imperatives while at the same time addressing the expectation of shareholders and stakeholders (UNIDO, 2013). Thus, CSR is the

commitment of enterprises to integrate social and environmental responsibility in their business operations to improve the quality of life of stakeholders. CSR is more than charity and philanthropy. It is not simply about organizations giving to society. CSR is about creating business value and social value, about aligning and balancing shareholder, societal and environmental interests. Effective CSR balances the interests of shareholders, society and the planet (“Triple-Bottom-Line-Approach”), making stronger and more sustainable.

In developed countries, CSR is seen as a development strategy, a mode of business operation. They consider the social responsibility as a decisive factor of sustainable development and of their constant profit increasing. Therefore, all behaviors towards their business decisions as well as their business methods are subject to standards and regulations of the society both morally and legally. On the other hand, moral standard in the developed countries is an essential factor for each businessman and for each enterprise. And their complete legal system plays a main role in preventing immoral business operations. Besides, these countries have their own system of institutions, including complete business ethics. Thus the compliance of such moral standards is creating values to enterprises such as contributing to decreasing expenses and increasing capacity; contributing to increasing revenue; improving trade mark and reputation of enterprises; attracting skilled laborers; increasing the approach of products and services to the international market, etc. Meanwhile, it is not easy to implement the CSR in the developing countries since their legal system is not complete and monopoly, corruption and group interests have affected the society dramatically.

In Vietnam, CSR is understood as the enterprise commitments to contribute to the sustainable economic development, through improving living quality of laborers, of their own families, of the community and of the whole society, in the way which is beneficial to both the enterprises and the general development of the society (Nguyen Ngoc Mai, 2013). In contrast, for the purpose of sustainable development, the enterprises are required to comply with standards of environmental protection, gender equality, labor safety, labor rights, equal salary payment, training staffs and developing the community. Many big enterprises are aware of such matter; thus, implementing the CSR becomes one of the crucial requirements. Because, in the context of globalization and international integration, enterprises will not able to gain access to the international market if the enterprises fail to effectively implement their social responsibility.

SMEs IN VIETNAM

Similarly, the concept of SMEs has not achieved a universally accepted definition. The definition of SMEs varies in context across countries, industries, organizations, agencies and the academic community. SMEs are often defined numerically or specifically to cover companies with a workforce ranging from 1 to 100 employees and in some cases up to 250 employees as the upper limit. Statistically defined, the lower limit for the member of employees for the “small scale enterprises” is usually put at between 5-10 workers and upper limit is ranged from 50-100. The upper limit for the “medium-sized enterprises” is usually 100-250 employees. The European Union standard definition for SMEs is any business with fewer than 250 employees and a turnover of up to 50 million Euros or a balance sheet of about 43 million Euros (Table 1). This definition may not be applicable to all countries. Therefore, SMEs encompass a very broad

range of enterprises from established traditional family business employing over a hundred people to survivalist self-employed people working in informal microenterprises.

Table 1. SME criteria

Company category	Staff headcount	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

Source: European Union, 2003

In Vietnam, according to Article 3 of the Government's Decree No. 56/2009/ND-CP issued June 30, 2009 about SME development assistance, "SMEs are business establishments registered in accordance with the law. It is divided into three levels: micro, small and medium scale (the total capital equivalent to the total assets determined in the enterprise's balance sheet or the average labor force is a priority criterion)" (Table 2).

Table 2. SME criteria by Vietnamese Government's Decree No. 56/2009/ND-CP

Business sector	Company category				
	<i>Micro</i>	<i>Small</i>		<i>Medium-sized</i>	
	Number of employees (L)	Total assets (A) - Bil. VND	Number of employees (L)	Total assets (A) - Bil. VND	Number of employees (L)
I. Agriculture, forestry and fisheries	$L \leq 10$	$A \leq 20$	$10 < L \leq 200$	$20 < A \leq 100$	$200 < L \leq 300$
II. Industry and construction	$L \leq 10$	$A \leq 20$	$10 < L \leq 200$	$20 < A \leq 100$	$200 < L \leq 300$
III. Trade and services	$L \leq 10$	$A \leq 10$	$10 < L \leq 50$	$10 < A \leq 50$	$50 < L \leq 100$

In addition, SMEs are also defined in terms of qualitative criteria such as holding a small market share, personal management by owners, or even lacking a formalized bureaucratic structure. The SMEs are therefore distinguished from larger companies by such characteristics as owner-managed, independent, multitasking, cash limited, personal relationships and informality. Spence and Lozano (2000) note that SMEs are majorly oriented toward solving day-to-day problems. There is also the dominance of informal relations, interpersonal relations and communication. Enderle (2004) states that there is a high degree of interrelation with their environment or community of operation and the SMEs are subject to the market dynamics that are determined by large enterprises through the supply chain. Lepoutre and Heene (2006) present an interesting definition of SMEs in terms of a small business responsibility, where a responsible entrepreneur is a person who:

- Treats customers, business partners and competitors with fairness and honesty.
- Cares about health, safety and general well-being of employees and customers.
- Motivates the workforce by offering training and development opportunities.
- Acts as a “good citizen” in the local community.
- Is respectful of natural resources and the environment.

These characteristics directly affect the way in which SMEs engage in CSR. The orientation of the small business owner tends to be employee, customer and community focus and CSR initiatives are accordingly designed to satisfy these stakeholders. Many studies have identified several benefits that SMEs derived from the adoption and implementation of CSR

programs. According to Jenkins (2006) and Dzansi (2011), benefits of implementation of CSR by SMEs include: improved image and reputation; improved trust and understanding; larger, more prominent profile; better market position; increased sale volumes; increased employer motivation; increased attractiveness to potential recruits; cost saving and increased efficiency; enhanced risk management; benefits for company culture; enhanced customer satisfaction, employee loyalty, etc.

CSR IN VIETNAMESE SMEs

CSR has first introduced in Vietnam through the operation of the multinational companies investing in Vietnam. These companies often develop code of conduct and universal business norms that apply to many different markets. Therefore, CSR activities of these companies are carried out in the most professional and effective way. Some examples are Honda-Vietnam's "I love Vietnam" program; Sanitation program for children in mountainous provinces of Unilever; Computer Training Program – Topic64 of Microsoft, Qualcomm and HP; The program supports congenital malformations and support for victims of Can Tho bridge collapse of VinaCapital, Samsung; Vision rehabilitation program for poor children of Western Union.

In addition, after many years, Vietnamese footwear and garment manufacturers have started interesting and accessing CSR standards due to pressure from multinational companies as well as environmental problems. However, according to the baseline (in 2010) and the end-line (in 2013) surveys results of the EU-funded project “*Helping Vietnamese SMEs Adapt & Adopt CSR for Improved Linkages with Global Supply Chains in Sustainable*” that had been implemented in Vietnam by the United Nations

Industrial Development Organization (UNIDO) since 2009, a majority of companies were classified as “medium awareness of CSR” and “high awareness of CSR” in both the baseline and the end-line surveys (UNIDO, 2013).

Table 3. CSR awareness score distribution of Vietnamese SMEs

Range of Awareness Score (*)	Total		Textiles and garment		Leather and footwear		Electronics	
	Baseline	End-line	Baseline	End-line	Baseline	End-line	Baseline	End-line
	(n=400)	(n=400)	(n=192)	(n=199)	(n=185)	(n=160)	(n=50)	(n=41)
<i>Lowest to 10</i>	0.3	0	0	0	0.6	0	0	0
<i>11 to 20</i>	0.6	0	0.5	0	0.6	0	0	0
<i>21 to 30</i>	3.7	2.9	4.1	2.5	3.1	2.4	2	2.4
<i>31 to 40</i>	14.8	17.8	16.8	18.5	14	17	8	14.6
<i>41 to 50</i>	53.3	60.1	50.7	56	53.8	64.5	60	58.6
<i>51 to highest</i>	28.4	20.5	28	22.5	27.6	16.4	30	24.3

Source: UNIDO, 2013

Note: (*) Scores based on the answers (0 to 3) that each respondent gave to each statement, each respondent could get a score of between 0 (if a respondent said that all 20 statements were not at all important) and 60 (if a respondent said that all 20 statements were very important).

The Vietnamese government has also started to encourage companies to protect the environment and improve working conditions. They issued new rules for sustainable development, typical of this are Agenda 21 and the new Law of Environmental Protection. Environmental policemen have been set up to take measures to stop polluting companies, and companies will be subject to separate penalties for contaminated sewage. Established under the support of the Vietnam Chamber of Commerce and Industry (VCCI), the Vietnam Business Linking Initiative (VBLI) has established close relationships with NGOs, other international organizations as well as

businesses using foreign capital. Small and medium-sized shoe manufacturers and industrial textiles can participate in training programs or consultancy services provided by the VBLI to improve the working environment. From there, they can increase CSR understanding. In 2004, the CSR Awards began to be given to the most committed businesses by the VBLI. Some typical programs such as "6 million glasses of milk for Vietnamese children"; scholarship fund "firefly" of the big brands such as Vinamilk, Dutch Lady.

However, besides the above-mentioned programs, there have been many cases of business ethics violations, serious environmental and human health violations in recent years. Typically, China's melamine tainted milk and direct discharge of untreated sewage into Vedan's Thi Vai River in Vietnam. It is the lack of a sense of corporate social responsibility that has caused serious consequences for the environment, society and consumers. (Nguyen Dinh Cung et.al., 2008). In addition, the barriers and challenges for implementing CSR are insufficient awareness of the concept of social responsibility; Productivity being affected by multiple codes of conduct; Lack of financial resources and techniques for the implementation of social responsibility standards (especially for SMEs); Confusion due to differences between Code of Conduct and the Labor Code; and Regulations Domestic influences on the implementation of codes of conduct (UNIDO, 2013).

Moreover, according to CIEM (2012), most of the enterprises in Vietnam are SMEs - SMEs account for up to 97% of all registered firm. So the adoption and implementation of CSR has not received much attention in SMEs. Consumer confidence for businesses is severely compromised when

fraudulent business practices and irresponsibility with the community become more common. The threat of poor quality goods, particularly those directly related to health and living conditions, and the deterioration of the environment, are becoming more serious and directly affecting the lives of consumers.

The cases, sauce with 3-MCPD toxic, urea-containing fish sauce, or growth stimulators pass on cattle through animal feed are not fully resolved. Other incidents such as melamine-infused milk, industrial alcohol made fatal to consumers, and poor quality counterfeit fertilizers and fraudulent gas stations. Among these fraudulent business, there are also well-known brands for Vietnamese consumers.

Part of the reason for this is the lack of social responsibility regulations, although there have been cases where they have been found but are also difficult to resolve, such as the controversy surrounding the sanctions, typically formerly the case of Vedan in 2008, is the recent case of Formosa Ha Tinh (FHS) in 2016. Serious cases such but Vedan only fined 267.5 million VND, FHS pledged to compensate 500 million USD. As far as the possibility of the plant being closed or criminal prosecution, some say yes, others say no. The result is that these companies have not yet closed or prosecuted for criminal liability. In addition, Vietnam's mechanisms and punishments are not sufficient to prevent companies from violating the law, as the result many companies do not care about these lawsuits. For example, in October 2008, Vinh Long province detected 11 companies producing poor quality fertilizers, of which the useful ingredient was almost zero. However, these companies were fined only a total of 130

million VND. Obviously, fines are too little compared to the profits they earn from cheating, as well as its impact on farmers.

CONCLUSIONS

CSR is a concept that cannot be ignored on the path of integration of enterprises in the world in general and Vietnam in particular, because it both benefits the business, especially to improve the competitiveness of enterprises and benefits to society, to support better implementation of labor law and environmental law. CSR has a lot of advantages such as: enhance company image and reputation; improve trust and understanding; better market position; increase sales volume; increase employer motivation; increased attractiveness to potential recruits; cost saving and increased efficiency; enhanced risk management; benefits for corporate culture; improve customer satisfaction, employee loyalty, etc. However, in Vietnam CSR has received major attention from large enterprises, foreign invested enterprises. For most Vietnamese SMEs, CSR awareness and CSR activities are still limited; businesses need more time to be aware, to learn and to apply and integrate into their business strategy. Therefore, a study needed to identify factors that motivate Vietnamese SMEs to fulfill their social responsibilities as well as to determine the impact of CSR on the business performance. It will be the basis for encouraging and setting the basis for regulators and mass organizations to set up regulations and measures to promote Vietnamese SMEs to implement CSR better.

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Chapter 4²

**CSR IN DEVELOPING COUNTRIES:
CASE STUDY IN VIETNAM**

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CSR IN DEVELOPING COUNTRIES: CASE STUDY IN VIETNAM

Phan Van-Thanh

University of Kaposvar, Hungary

thanhpv.hut@gmail.com

Podruzsik Szilárd

Corvinus University of Budapest, Hungary

szilard.podruzsik@uni-corvinus.hu

ABSTRACT

This article provides a review of the practice of corporate social responsibility (CSR) in Vietnamese enterprises, especially in Vietnamese small and medium enterprises (SMEs). To do so, this article first reviewed the conceptual framework of CSR and CSR in developing countries. In addition to enhancing the competitiveness of Vietnamese enterprises in general, Vietnamese SMEs in particular, this study highlights the lessons learned from CSR empirical studies in developing countries. Furthermore, based on the analysis of Vietnamese enterprises and CSR practices in Vietnam, the article collates the recommendations given by researchers to strengthen and improve the implementation of CSR in Vietnam as well as provide some suggestions to help Vietnamese enterprises get success in applying CSR in their sustainable business objectives. This article concludes the implementation of CSR in Vietnam is still limited, and there are many obstacles and limitations in applying CSR not only from the business itself but also from the operating environment. Therefore, to implement and integrate CSR into Vietnamese enterprises' business

strategies, CSR awareness should be improved as well as the legal framework for implementing CSR.

Keywords: Corporate Social Responsibility, CSR, Developing Countries, Vietnam, Vietnamese SMEs.

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INTRODUCTION

Since corporate social responsibility (CSR) first emerged from the seminal work of Bowen in 1953, it has attracted increasing attention of either scholar, social organizations, and governments or other stakeholders both in developed and developing countries (Ali, Frynas and Mahmood, 2017). In developed countries, CSR activities have received cumulative attention from businesses, which is united into the business strategy of the business. CSR is cogitated a key factor for sustainable growth and improved profitability. While, it is hard to apply CSR in developing countries since their legal system is partial and monopoly, corruption, and group interests toughly influence society.

In Vietnam, a developing country, many big companies are aware that in order to grow sustainably, organizations must adhere to the principles of environmental protection, gender equality, equal pay, labor safety, labor rights, talent management, and community growth. They implemented hundreds of actions; such as saving energy, using recycled materials, reducing carbon emissions, or some donation as the school building, help sufferers of natural disasters. There are some ongoing CSR activities, such as Pratham Books (Creating an open-sourced platform for translating books); and GiveDirectly (Creating opportunity through mobile cash transfers) implementing by Google; Since 2006, “Microsoft company has

had an official commitment to regard human rights as a signatory of the United Nations Global Compact” (Dudovskiy, 2017). However, with more than 97 percent of registered enterprises are small and medium enterprises (SMEs) (Shinozaki, 2012). The implementation and application of CSR in Vietnamese enterprises are facing many difficulties and limitations. Because of the limited by the financial resources, personnel, size of the business, in most cases the business owner is also the director (Nguyen *et al.*, 2015). Moreover, Vietnamese SMEs focus more on maximizing profits than on social responsibility.

Recent studies concluded that SMEs are playing an essential role in the national economy, especially in Vietnam. According to the report of the Asian Development Bank, Vietnamese SMEs account for up to 97,4 percent of all registered firms. They account for 77,3 percent of the country's total labor force and contribute 26 percent of Vietnam's GDP (Shinozaki, 2012). Furthermore, recent researches have shown that CSR benefits both business and society, both large and small and medium enterprises (Udayasankar, 2007). According to recent studies, CSR capabilities are defined as a company's knowledge, skills, and processes linked to the planning, implementation, and assessment of CSR initiatives (Lee, Park and Lee, 2013). Such CSR capabilities could be one of the most critical strategic approaches in a company's CSR efforts. CSR helps to improve the image and reputation of the business; increase sale volumes; increase employee motivation, increase attractiveness to potential recruits, etc. (Jenkins, 2006) and (Dzansi, 2011).

To achieve the objective of sustainable development, Vietnamese enterprises are not only complying with government mandated standards of employment, environment, and society, but also active with social

responsibility which is not regulated by law. Because of new perceptions, many large enterprises in Vietnam have put CSR on the top priority to integrate into their business strategy. Similarly, Vietnamese SMEs also have to develop and integrate CSR into their business strategy. However, awareness of CSR and their CSR activities are inadequate. Thus, the main goal of this article is to give a descriptive analysis of the practices of CSR in Vietnam, especially in Vietnamese SMEs based on available literature and published data.

THEORETICAL BACKGROUND

Corporate social responsibility

Since its first appearance in 1953, the CSR concept has had more than 60 years of history. However, it is still complex and complicated. It is complex not only because of the nature and context of the problems, but it is also complicated by four distinct agendas which are engaged in the definitional enterprise (Sheehy, 2015). There can be identified numerous attempts in the literature to define CSR. Many scholars have attempted to develop CSR concepts such as Carroll (1979, 1999), Wood (1991), Van Marrewijk (2003), Dahlsrud (2008). However, the authors have not reached the consensus about CSR definition as CSR varies in context, content, process, and value. The early definition of CSR more often referred to social responsibility than to CSR, *“It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society”* (H. R Bowen, 1953). In the paper published in 1979, Archie Carroll proposed a four-part definition of CSR: *“The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organization at a given point in time”*

(Carroll, 1979). In another paper published in 1991, the pyramid of CSR that was introduced by Carroll is one of the earliest efforts to combine the economic and social responsibilities of the corporation (Carroll, 1991).

In another study, conducted by Dahlsrud, CSR definitions could be categorized by five dimensions, including Environmental; Social; Economic; Stakeholder; and Voluntariness (Dahlsrud, 2008). Dahlsrud also pointed to the definition of CSR with the highest frequency counts from Google to the Commission of the European Communities, which defined CSR as “*A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*” (European Commission, 2002). Besides this definition, other definitions are referring to five dimensions of CSR, which are defined by Business for Social Responsibility in 2000 and 2003; International Business Leaders Forum (IBLF) in 2003; Global Corporate Social Responsibility Policies Project in 2003; UK Government in 2001; and Van Marrewijk (2003). The rest of the 37 analytical definitions in Dahlsrud’s study refer to four, three, two or even just one dimensions of CSR – retrieve from Dahlsrud (2008). However, in the recent review article, Wang and Gao (2016) summarized the definition of CSR into four common perspectives, including:

- (1) *An integrative perspective, namely, those definitions generated from a spectrum of views ranging from stakeholder concerns to social issues;*
- (2) *An economic perspective, espoused by those researchers who believe that the aim of CSR activities is the maximization of profit, which emphasizes the benefits to shareholders and internal stakeholders;*

- (3) *A voluntary perspective, espoused by those researchers who believe that firms should take some philanthropic action in accordance with local laws to improve social welfare;*
- (4) *A public perspective, where scholars argue that a CSR strategy should be designed to fit the social system.*

Hence, it can be stated that CSR is more than charity and philanthropy. CSR is the commitment of enterprises to integrate social and environmental responsibility into their business operations to improve the quality of life of stakeholders. CSR is “*the continuing commitment by business to contribute to the economic development while improving the quality of life of the workforce and their families as well as of the community and society at large*” (WBSCD, 2000). CSR is about creating business and social value, about aligning and balancing shareholder, about societal and environmental interests. CSR is defined as the method through which a business achieves a balance of economic, environmental, and social requirements while at the same time addresses the expectation of shareholders and stakeholders (UNIDO, 2010). An effective CSR strategy balances the interests of shareholders, society, and the planet, making businesses stronger and more sustainable.

CSR in developing countries

A difference between the high interest with the concept of CSR in general, there is a limited systematic review of the concept of CSR in developing countries to date. The unique elements of CSR in developing countries have been referred to the literature, with CSR commonly characterized as less formalized, more sunken and more philanthropic (Jamali and Neville, 2011). Research by Ali, Frynas, and Mahmood (2017) concluded that the

CSR report received different attention from stakeholders in developed and developing countries. Interested stakeholders in developed countries are usually shareholders, regulators, creditors, investors, environmentalists and the media, while in developing countries they are international buyers, foreign investors, international media and international regulatory bodies such as World Bank. Moreover, in contrast to developed countries, companies in developing nations receive relatively lower pressures in the publication of CSR reports.

In another context, a study by Jamali and Mirshak (2007) shows that economic and legal factors are receiving more interest in developing countries in pursuing CSR. This study also concludes that CSR in developing countries is very different from developed countries because of the weak institutional environment emphasized by arbitrary law enforcement, bureaucracy inconsistency, insecurity of property rights and corruption. Operating in a situation like this, a company that strictly enforces rules and regulations can be considered a responsible company. Further enhancing the need to explore CSR in developing countries is a different argument against the possibility of converting the frameworks and conclusions drawn from developed countries into developing countries (Idemudia, 2011).

Raynard and Forstater (2002a) stated that CSR imposes new demands on SMEs in developing countries. Social and environmental principles are progressively a precondition for doing business with transnational corporations. This is expressed regarding individual supply chain codes of conduct and certification programs across the industry. Market change can increase the impact of environmental and social concerns beyond issues

directly related to transnational corporations. This can happen through local competition, by strengthening the mechanism to ensure compliance with local law, by targeting investment or through changing consumer demand. Therefore, CSR needs to be integrated into core business strategies. If this is done, it can still be strong, even if the CSR is a vulnerable charity allowance to cut costs. The long-term success of CSR will be based on its ability to be at the core of its business and development strategy, thereby becoming part of “business as usual.”

In Vietnam, a developing country, there is limited theoretical and empirical contributions to CSR to date. According to Nguyen Ngoc Mai (2013), CSR is understood as the enterprise commitments to contribute to the sustainable economic development, through improving living quality of laborers, of their own families, of the community and of the whole society, in the way which is beneficial to both the enterprises and the general development of the society. Furthermore, in the context of globalization and international integration, Vietnamese companies will not be able to gain access to the global market if the companies fail to implement their social responsibility effectively. For the purpose of sustainable development, companies must comply with environmental protection standards, gender equality, labor safety, labor rights, equal pay, staff training and community development. Thus, CSR has become one of the essential requirements of Vietnamese companies.

PRACTICES OF CSR IN VIETNAM

Vietnamese enterprise

In Vietnam, the number of registered enterprises increase on average by 14 percent annually from 2011 to 2016 (Figure 1), and most of the registered

enterprises are SMEs (Table 1). Besides, recent researches concluded that SMEs are playing a vital role in the national economy, especially in the Vietnamese economy.

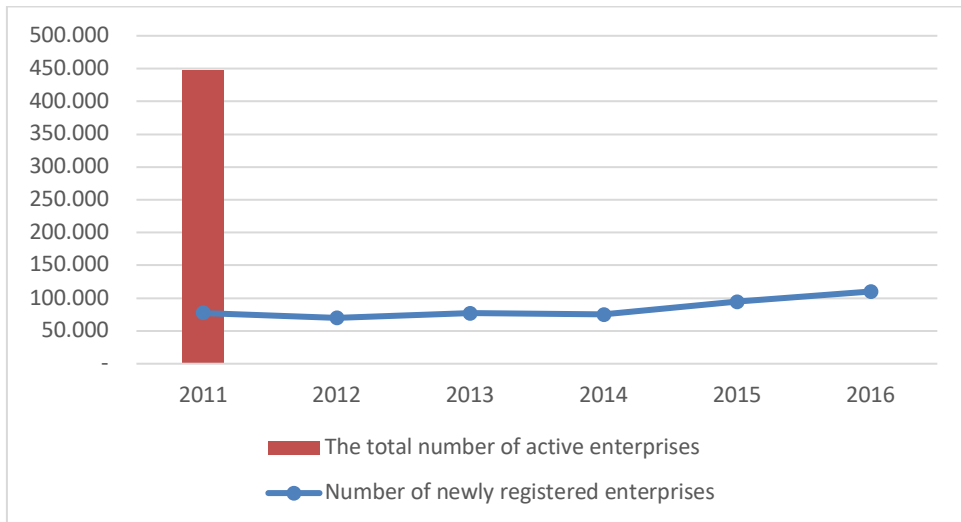
Table 1: SME in East and Southeast Asia

	Number of Enterprises (% of total)	Number of Employees (% of total)	Contribution to GDP (%)
East Asia			
<i>Japan</i>	99,7	69,4	47,7
<i>Korea</i>	99,9	87,7	47,6
<i>China</i>	99,0	75,0	58,5
Southeast Asia			
<i>Brunei</i>	98,4	58,0	22,0
<i>Cambodia</i>	98,5	-	85,0
<i>Indonesia</i>	99,9	97,0	56,5
<i>Lao PDR</i>	99,8	83,0	6 to 9
<i>Malaysia</i>	99,2	59,0	31,9
<i>Myanmar</i>	92,0	-	-
<i>Philippines</i>	99,6	63,2	35,7
<i>Singapore</i>	99,4	62,3	46,3
<i>Thailand</i>	99,8	78,2	36,7
Vietnam	97,4	77,3	26

Source: Asian Development Bank, (Shinozaki, 2012)

In fact, in 2012, Vietnamese SMEs account for 97,4 percent of the total number of registered companies. SMEs account for 77,3 percent of the country's total labor force and contribute 26 percent of Vietnam's GDP (Shinozaki, 2012). Moreover, in a recent survey by CPA Australia, the institute reported that 90,7 percent of Vietnamese SMEs grew in 2017 and 93,7 percent expect to grow in the next 12 months. While there is only 47,5 percent of Singapore's small businesses reported that they grew in 2017, and 93,4 percent of Indonesian small businesses reported they grew. These figures partly explain the importance of SMEs to Vietnam's economic development, and the growing interest of domestic and foreign researchers in Vietnamese SMEs as well.

Figure 1: Number of newly registered enterprises from 2011-2016 in Vietnam



Source: Summary from <http://www.gso.gov.vn>

According to article 6 of the Vietnamese Government's Decree No. 39/2018/ND-CP, "SMEs are business establishments registered in accordance with the law. It is divided into three levels: micro, small and medium scale (the total capital equivalent to the total assets determined in the enterprise's balance sheet or the average labor force is a priority criterion)" (Table 2). SMEs include a very broad range of businesses from traditional family businesses to companies with hundreds of employees.

Vietnamese SMEs is limited by the financial resources, personnel, size of the business, and usually, the business owner is also the director. They focus more on profit maximization than on social responsibility. However, recent studies implied that CSR benefits both business and society, for both large and SMEs (Udayasankar, 2007). The benefits of implementing CSR

in SMEs include: improved image and reputation; improved trust and understanding; larger, more prominent profile; better market position; increased sale volumes; increased employer motivation; increased attractiveness to potential recruits; cost savings and increased efficiency; enhanced risk management; benefits for company culture; enhanced customer satisfaction, employee loyalty, etc. (Jenkins, 2006) and (Dzansi, 2011).

Table 2: SME criteria by Vietnamese Government's Decree No. 39/2018/ND-CP

Business sector	Company category					
	Micro		Small		Medium-sized	
	A and R ^(*) (Bil. VND)	Number of employees (L)	A and R (Bil. VND)	Number of employees (L)	A and R (Bil. VND)	Number of employees (L)
I. Agriculture, forestry and fisheries	$A \leq 3$ or $R \leq 3$	$L \leq 10$	$A \leq 20$ or $R \leq 50$	$10 < L \leq 100$	$A \leq 100$ or $R \leq 200$	$100 < L \leq 200$
II. Industry and construction	$A \leq 3$ or $R \leq 3$	$L \leq 10$	$A \leq 20$ or $R \leq 50$	$10 < L \leq 100$	$A \leq 100$ or $R \leq 200$	$100 < L \leq 200$
III. Trade and services	$A \leq 3$ or $R \leq 10$	$L \leq 10$	$A \leq 50$ or $R \leq 100$	$10 < L \leq 50$	$A \leq 100$ or $R \leq 300$	$50 < L \leq 100$

Source: Summary from Vietnamese Government's Decree No. 39/2018/ND-CP

Note: (*) A: Total assets (Bil. VND); R: Total revenue of the year (Bil. VND); L: The average number of employees participating in social insurance of the year.

Therefore, this paper focuses on the analysis of Vietnamese SMEs and the practice of CSR in Vietnamese SMEs in particular and Vietnamese enterprises in general. In the next sections, the article will focus on the

implementation of CSR in Vietnam as well as give some recommendations to help Vietnamese enterprises get success in applying CSR in their sustainable business objectives.

CSR in Vietnam

According to data collected from secondary sources in Vietnam and abroad. It can be said that there are three milestones in the history of CSR in Vietnam, including:

- First, in 2000s CSR has been introduced in Vietnam through the operation of the multinational companies investing in Vietnam, for example, Honda-Vietnam, Coca-Cola Vietnam, Unilever-Vietnam, Microsoft, HP... These companies commonly develop the Code of Conduct and standards of business culture which are universal in order to apply in various geographical markets (Nguyen *et al.*, 2015). A number of successful CSR programs at the time were launched, such as "I love Vietnam" program of Honda Vietnam in 2004; Vision rehabilitation program for poor children of Western Union in 2004; Coca-Cola Vietnam began the Clean Water for Communities project in 2006. Unilever-Vietnam began the Protection Vietnamese Smile program in 1998, Sanitation program for children in mountainous provinces in 2007; Program for the Development of Sustainable Community Informatics Centers in 64 Provinces of Vietnam (TOPIC64), sponsored by Microsoft, Qualcomm, Hewlett Packard and USAID from 2006; The program supports congenital malformations and support for victims of Can Tho bridge collapse of VinaCapital and Samsung in 2007.

- Second, in 2005, the Vietnamese government also started to encourage companies to protect the environment and improve working conditions. They issued new rules for sustainable development, typical of this are Agenda 21 and the new Law of Environmental Protection. Environmental police have been set up to take measures to stop polluting companies, and companies will be subject to separate penalties for contaminated sewage. With the support of the Vietnam Chamber of Commerce and Industry (VCCI), the Vietnam Business Linking Initiative (VBLI) has established close relationships with NGOs, other international organizations as well as businesses using foreign capital. Thanks to this program, SMEs shoe manufacturers and industrial textiles can participate in training programs or consultancy services as well as enhance awareness of CSR knowledge. The most important event in 2005 was that VBLI started awarding “CSR Awards” to the most committed businesses. Some typical programs such as "P/S protect Vietnamese smile" program of Unilever-Vietnam; "6 million glasses of milk for Vietnamese children" program implemented by Vinamilk; Scholarship fund "firefly lights" established by Dutch Lady.
- Third, 2010 marked the change in awareness of Vietnamese enterprises, especially Vietnamese SMEs. Thanks to the EU-funded project “Helping Vietnamese SMEs Adapt & Adopt CSR for Improved Linkages with Global Supply Chains in Sustainable”, implemented in Vietnam by the United Nations Industrial Development Organization (UNIDO) from 2010 to 2013. There are many Vietnamese SMEs are trained and updated their CSR knowledge through training sessions or seminars. According to the surveys that conducted by Taylor Nelson

Sofres Viet Nam in 2013, it can be concluded that there is clear evidence of increased awareness about, understanding and practice of CSR in the sector of SMEs within the time period of the UNIDO's project in Vietnam (Table 3) (UNIDO, 2013).

Table 3: CSR awareness score distribution of Vietnamese SMEs

Range of Awareness Score (*)	Total		Textiles and garment		Leather and footwear		Electronics	
	Baseline	End-line	Baseline	End-line	Baseline	End-line	Baseline	End-line
	(n=400)	(n=400)	(n=192)	(n=199)	(n=185)	(n=160)	(n=50)	(n=41)
<i>Lowest to 10</i>	0.3	0	0	0	0.6	0	0	0
<i>11 to 20</i>	0.6	0	0.5	0	0.6	0	0	0
<i>21 to 30</i>	3.7	2.9	4.1	2.5	3.1	2.4	2	2.4
<i>31 to 40</i>	14.8	17.8	16.8	18.5	14	17	8	14.6
<i>41 to 50</i>	53.3	60.1	50.7	56	53.8	64.5	60	58.6
<i>51 to highest</i>	28.4	20.5	28	22.5	27.6	16.4	30	24.3

Source: End of Action Survey by UNIDO (UNIDO, 2013)

Note: (*) The higher scores the higher awareness. Scores based on the answers (corresponds to values from 0 to 3) that each respondent gave to each statement. Each respondent could get a score between 0 (if a respondent said that all 20 statements were not at all important) and 60 (if a respondent said that all 20 statements were very important); “Baseline” and “End-line” refer to the year when the survey was conducted on the similar sample of 400 SMEs, in 2009 and 2013, respectively.

In another context, some recent studies concluded that Vietnamese enterprises which have integrated CSR into their business strategy regularly are multinational, large or export companies. Meanwhile, many SMEs in Vietnam are not fully aware of CSR, not aware of the benefits and opportunities that CSR can bring to the business. They frequently focus

only on exploiting the resources available to maximize profits but forget the interests of customers, responsibility to laborers, to eco-environment, to the community and the future generations (Nguyen *et al.*, 2015).

According to a study conducted by World Bank in Vietnam, the biggest barriers and challenges to the implementation of CSR of enterprises are:

- *Insufficient awareness of the concept of social responsibility within and between corporates in Vietnam;*
- *Productivity being affected when performing multiple sets of Codes of Conduct synchronously;*
- *Lack of financial and technical resources for the implementation of social responsibility standards (especially for SMEs);*
- *Confusion for corporates due to differences between Code of Conduct and the Labor Code;*
- *CSR activities that have been implemented without transparency are hindering benefits brought by potential markets to businesses;*
- *State's regulations affect the results of the implementation of the code of conduct; and*
- *The habits in consumer culture have not promoted the role of customers in protecting products of corporates that have well implemented social responsibility as well as the fighting spirit against corporate with commercial frauds.*

In fact, today's CSR activities in Vietnam focus on some successful programs implemented by multinational companies such as Honda-Vietnam, Coca-Cola Vietnam, Unilever-Vietnam, Microsoft, HP... CSR activities of Vietnamese SMEs, if any, are only charitable activities for

some individuals or communities where the business operates. Moreover, besides the “good programs” as mentioned above, there have been many “bad activities” - cases of business ethics violations, severe environmental and human health violations. For example, the most serious recent incident has been the Vietnam sea catastrophe in 2016, which is a water pollution crisis that has affected central provinces of Vietnam - The Formosa steel plant is suspected to be the source of the toxic chemical waste; or some typical incidents have happened in the past, such as milk containing birth control drug, melamine of China; industrial alcohol made fatal to consumers; poor quality counterfeit fertilizers; soya source containing 3-MCPD; growth stimulators passed on cattle through animal feed are not fully resolved; direct discharge of untreated sewage into Vedan's Thi Vai River in Vietnam... This is due to the lack of awareness of CSR that has serious consequences for the environment, society, and consumers (Nguyen Dinh Cung and Luu Minh Duc, 2008).

Also, due to the lack of social responsibility regulations from the government, the Vietnamese mechanisms and punishments are not sufficient to prevent enterprises from violating the law, as a result, many enterprises do not care about these lawsuits. There have been many cases of violations that have been identified but also difficult to resolve, such as the controversy over the sanctioning form of Vedan in 2008 or the recent matter of Formosa Ha Tinh in 2016 (Phan and Podruzsik 2017). Similarly, in October 2008, Vinh Long province detected 11 companies producing poor quality fertilizers, of which the useful ingredient was almost zero. However, these companies were fined only a total of VND 130 million. Obviously, fines are too small compared to the profits earned from fraud, as well as its impact on farmers.

CONCLUSIONS

CSR in developing countries has evolved into a significant body of scholarship that retains its nuances, peculiarities, and distinctiveness as a platform for knowledge generation (Jamali and Karam, 2016). However, the implementation of CSR in developing countries is still limited. Especially in Vietnam, a developing country, the implementation of CSR also encountered many obstacles and limitations. These obstacles and limitations come not only from the business itself but also from the operating environment. For example, Vietnamese SMEs focus more on maximizing profits than on social responsibility. Furthermore, they lack awareness of CSR, lack of financial and technical resources for the implementation of social responsibility standards.

Furthermore, the Vietnamese legal system is incomplete, and monopoly, corruption, and group interests strongly influence society. Furthermore, there are limitations of social responsibility regulations from the government, the Vietnamese mechanisms and punishments are not sufficient to prevent enterprises from violating the law. Therefore, to implement and integrate CSR into Vietnamese enterprises' business strategies, CSR awareness should be improved as well as the legal framework for implementing CSR. Further research could identify factors that motivate Vietnamese SMEs to fulfill their social responsibilities as well as to determine the impact of CSR on the business performance.

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Chapter 5³

**THE COMPETITIVE IMPACT OF
CORPORATE SOCIAL RESPONSIBILITY ON
SMALL AND MEDIUM ENTERPRISES:
AN EMPIRICAL RESEARCH IN VIETNAM**

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The Competitive Impact of Corporate Social Responsibility on Small and Medium Enterprises: An Empirical Research in Vietnam

Van-Thanh PHAN^{1,2}

Szilárd PODRUZSIK³

¹Szent Istvánt University, Kaposvár, Hungary

²Hanoi University of Science and Technology, Hanoi, Vietnam

³Corvinus University of Budapest, Budapest, Hungary

Email: thanhvp.hut@gmail.com

ABSTRACT

Research objectives: This study's primary goal is to investigate how the competitiveness impact of corporate social responsibility (CSR) on small and medium-sized enterprises (SMEs) in Vietnam base on a new theoretical model that was developed by the authors.

Theoretical framework: This study contributes to the literature by providing the new theoretical model to investigate the impact of CSR on SMEs' competitiveness based on the various theoretical CSR and competitiveness factors. This research also the first empirical study focusing on this relationship in Vietnamese SMEs.

Methodological design/approach: The data was collected by an online and offline questionnaire survey of 216 managers and non-manager working in the Vietnamese SMEs. Structural equation modeling (SEM) was applied to examine and test the hypothesis of the proposed research model.

Main findings: The study's outcomes confirmed the significant positive relationship between CSR and competitiveness levels of SMEs. We also

found that the highest correlation was employee factor for which the interaction with the competitiveness variables was significant than the other CSR factors. On the contrary, the environment factor has the lowest correlation for which the interaction with the competitiveness variables.

Research limitations: The findings of this study were limited to the interviewed Vietnamese SMEs context so that we couldn't generalize our results to other countries and other businesses framework, as a consequence, more research will be needed in this area.

Practical implications: This research not only provides Vietnamese managers an alternative tool for starting to learn how to embrace and evaluate the CSR: a CSR and competitiveness scale but also helps them understand how CSR contributes to the creation or enhancement of the competitiveness levels of Vietnamese SMEs.

Keywords: *CSR, Competitiveness, SMEs, Vietnam.*

1. INTRODUCTION

Under the era of globalization, there have been constant changes in societies and the world economy affecting the way we do business. It changes the rules of competitiveness among companies and requires greater involvement of enterprises in the ethical perspective of the business. Mallen and Chard [1] demonstrate that the link between business and society has changed. Business and society have become closer because of social and environmental dilemmas around the world. Hence, the concept of CSR has emerged and played an essential role as an emergent strategy between business and society. As can be seen, nowadays, the more corporation integrates CSR as an element of its core business, the more effective and competitive the corporation becomes. It has been proven by

various researches and successful models in developed countries. A vast amount of theoretical and empirical researchers has entirely addressed the issues of CSR since the 1950s, and it is now gaining more importance. However, in the case of developing countries, there are limited systematic studies to review the theory of CSR in general and the influence of CSR in competitiveness in specific to date.

It can be said that CSR is a well-researched area for developed nations and big companies. But CSR in the SMEs, the majority of the registered firms in developing countries, is a comparatively new concept, especially in the case of emerging markets. According to the European Competitiveness Report [2], there is a definite link between the CSR practices of SMEs and their improved competitiveness, at least resulting in the long-term condition. To prevail competitively, business managers should determine how their firms can become socially responsible, ecologically sustainable, and economically competitive [3]. CSR has become increasingly critical to the competitiveness of SMEs [4]. However, the comprehensive practical and theoretical literature have perceived the crucial role of CSR and its impacts on competitiveness, some empirical and theoretical contributions that could be found, especially in developing countries.

In Vietnam context, a developing country, many big companies are aware that to develop sustainably, companies must comply with environmental protection standards, labor rights, talent management, labor safety, gender equality, equal pay, and community improvement. They performed hundreds of actions; such as saving energy, donating build school, using recycled materials, reducing carbon emissions, or helping sufferers of natural disasters. Besides, recent studies concluded that SMEs are

performing an essential role in the national economy, especially in Vietnam. In 2018, the Vietnam Ministry of Planning and Investment reported that Vietnam has about 610.000 active enterprises, of which 96,9% is SMEs. They account for 38 per cent of the country's total labor force and add about 30 per cent of Vietnam's GDP [5]. Furthermore, recent researches have shown that CSR benefits both business and society, both large and SMEs [6]. However, the implementation of CSR in Vietnamese SMEs encountered many obstacles and limitations. These obstacles and barriers come not only from the business itself but also from the operating environment [7].

Thus, the main purpose of this research is to investigate the impact of CSR on competitiveness levels of SMEs base on the various theoretical CSR and competitiveness factors. The application of SEM analysis method to data collected from small and medium enterprises in Vietnam not only help to fill the research gap on the relationship between CSR and competitiveness in SMEs in developing countries but also help Vietnamese SMEs how to increase their competitiveness level to obtain the object of sustainable development.

2. LITERATURE REVIEW

Corporate social responsibility

A long and wide-ranging history, since CSR first emerged for the seminal work of Bowen in 1953, 67 years of history, the concept of CSR is still both complex and complicated [8]. There are many definitions, and many ways to talk about CSR, numerous reviews of CSR concept have been published over the last decade, including Dahlsrud [9], Carroll [10], Kraus and

Britzelmaier [11], Madrakhimova [12], Hopkins [13], and Sheehy [8]. Nevertheless, the scholars have not reached the consensus about CSR definition as CSR diversifies in content, context, process, and value. Much related literature has provided differing definitions of CSR. For instance, Bowen [14] referred to social responsibility (SR) than to CSR, Bowen defined CSR as the obligations of a manager “*to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.*” Alternatively, the definition of Carroll [15], [16] separates economic, legal, ethical and philanthropic categories of responsibility/performance; they embraced the five dimensions of CSR, including stakeholder dimension, social dimension, economic dimension, voluntariness dimension, and environmental dimension, discussed by Dahlsrud [9]. Taking these understandings, we defined CSR concept as the behaviours of a firm which aim to affect social and nonsocial stakeholders positively and goes beyond its economic interest [17]. We classified CSR initiatives into four different groups that relevance identified by the European Commission [2] and associated to the stakeholder theory approach, as emphasized by Battaglia et al. [18] and Turyakira et al. [4], including (i) Customers, (ii) Community, (iii) Employees, and (iv) Environment.

The customer dimension defines CSR practices related to core business activities [19] because the initial goal of every organization is satisfied needs of their customers. A business’s ability to succeed in the long term depends on its ability to create lasting and high-quality sales networks for its products [20]. Consequently, the socially responsible business was expected to conduct its activities transparent manner and to have positive relations with its customers. Customers do not only expect companies to be

socially responsible, but they also need to be informed about what companies are doing and will support companies that pursue CSR initiatives [21].

The community dimension defines CSR practices related to activities aimed at the community, education, sports, health and well-being, assistance to low-income groups, and community participation. These activities are viewed as support for social and cultural community activities, as well as community development and other related issues [22]. The community is one of the main stakeholders' groups. All companies attempt to engage workers in the communities where they have business operations to create a better quality of life conditions for their communities, i.e. sponsorship of local sports teams to support a particular charity. Thus, having good relations with local communities is also expected to be a strategy for business to present their responsibility to the community.

The employee dimension defines CSR practices covers how an enterprise treats its employees, includes issues such as labor practices, equal opportunities policies, safety systems, health systems, human rights, diversity, and working conditions. Employees were considered one of the most critical elements that affect the quality of the company's products, especially in the service sector. They also declared as enterprise's customers – internal customers; hence, employees' motivation and retention is a principal driver and the main focus area of CSR initiatives within SMEs [23].

The environment dimension defines CSR practices related to all activities that a company could implement in order to minimize its negative impact on the natural environment, such as the ecological and economical use of natural resources, recycling, using environmentally friendly packaging, waste reduction, energy and water conservation, and pollution control [4]. It means the company CSR initiatives are impacted by their environment-related policies, such as a reduction in pollutants, water-saving initiatives, energy efficiency measures, and a reduction in dangerous waste production.

Small-and Medium-sized Enterprises

Similar to the CSR concept, SMEs definition did not achieve a universally accepted. The SMEs concept diversifies in context across nations, industries, companies, agencies, and the academic community. SMEs often represented numerically or specifically to cover firms with a workforce ranging from 1 to 100 employees and in some cases, up to 250 employees as the upper limit. According to statistically defined, the lower bound for the number of employees for the "small scale enterprises" was usually put at between 5-10 workers and the upper limit ranged from 50-100. The upper limit for the "medium-sized enterprises" was often 100-250 employees. In a similar context, the European Union Standard definition for SMEs is any business with less than 250 employees and a turnover of up to 50 million Euros and a balance sheet of about 43 million Euros. This definition may not apply to all countries. Thus, it can be said that SMEs included a broad range of businesses from an established traditional family business employing over a hundred people to survivalist self-employed people working in informal microenterprises.

SMEs were also defined in terms of qualitative criteria such as holding a small market share, personal management by owners, or even lacking a formalized bureaucratic structure. SMEs are therefore distinguished from larger companies by such characteristics as owner-managed, independent, multitasking, cash limited, personal relationships, and informality. Spence and Lozano [24] note that SMEs were majorly oriented toward solving day-to-day problems. There was also the dominance of informal relations, interpersonal relations, and communication. According to Enderle [25], there was a high degree of interrelation with their environment or community of operation. And the SMEs were subject to the market dynamics that were determined by large enterprises through the supply chain. While Lepoutre and Heene [26] presented an interesting definition of SMEs in terms of a small business responsibility, where a responsible entrepreneur is a person who:

- *treats customers, business partners, and competitors with fairness and honesty.*
- *cares about the health, safety, and general well-being of employees and customers.*
- *motivates the workforce by offering training and development opportunities.*
- *acts as a "good citizen" in the local community.*
- *it is respectful of natural resources and the environment.*

In Vietnam, from the perspective of Vietnamese business law, "SMEs are business establishments registered in accordance with the law. It is divided into three levels: micro, small and medium scale (the total capital

equivalent to the total assets determined in the enterprise's balance sheet or the average labor force is a priority criterion)" (Quote from Article 6 of the Vietnamese Government's Decree No. 39/2018/ND-CP.) These characteristics directly affect the way in which SMEs engage in CSR. The orientation of the small business owner used to focus on their employee, customer, and community; thus, CSR initiatives were accordingly designed to satisfy these stakeholders. Many studies have identified several benefits that SMEs derived from the adoption and implementation of CSR programs. Jenkins [27] and Dzansi [28] point out the benefits of implementation of CSR by SMEs include improved image and reputation; improved trust and understanding; larger, more prominent profile; better market position; increased sale volumes; increased employer motivation; increased attractiveness to potential recruits; cost-saving and increased efficiency; enhanced risk management; benefits for company culture; enhanced customer satisfaction, employee loyalty.

Table 1: SME criteria by Vietnamese Government's Decree No. 39/2018/ND-CP

<i>Business sector</i>	<i>Company category</i>					
	<i>Micro</i>		<i>Small</i>		<i>Medium-sized</i>	
	A and R* (Bil. VND)	L**	A and R* (Bil. VND)	L**	A and R* (Bil. VND)	L**
<i>I. Agriculture, forestry and fisheries</i>	$A \leq 3$ or $R \leq 3$	$L \leq 10$	$A \leq 20$ or $R \leq 50$	$10 < L \leq 100$	$A \leq 100$ or $R \leq 200$	$100 < L \leq 200$
<i>II. Industry and construction</i>	$A \leq 3$ or $R \leq 3$	$L \leq 10$	$A \leq 20$ or $R \leq 50$	$10 < L \leq 100$	$A \leq 100$ or $R \leq 200$	$100 < L \leq 200$
<i>III. Trade and services</i>	$A \leq 3$ or $R \leq 10$	$L \leq 10$	$A \leq 50$ or $R \leq 100$	$10 < L \leq 50$	$A \leq 100$ or $R \leq 300$	$50 < L \leq 100$

Source: Summary from the Vietnam Government's Decree No. 39/2018/ND-CP
 Note: (*) A: Total assets (Bil. VND); R: Total revenue of the year (Bil. VND); (**) L: The average number of employees participating in social insurance of the year.

Competitiveness and its dimensions

Despite its acknowledged importance, the concept of competitiveness is often controversial and misunderstood [29]. Competitiveness is a multidimensional concept which spanning enterprise to industry and country levels [30]. At a country level, some commonly accepted indicators quantify and qualify competitiveness by different dimensions Budd and Hirmis [31], Porter [32], Zadek [33], producing several benchmarks such as the Global Competitiveness Report [34] or the World Competitiveness Yearbook. The same was not true at a sector or firm level, for which there were no agreed frameworks or measurements for competitiveness [35]. At the industry level, competitiveness is the ability of the nation's firms to achieve sustained success against (or compared to) foreign competitors, again without protection or subsidies. For a company, competitiveness is described as the strength of an organization in comparison with its competitors [36] or is considered synonymous with success [37]. Competitiveness could describe as the ability to provide goods and services as or more effectively and efficiently than the relevant competitors. Competitiveness also can be defined as the ability of a firm to design, produce, and market products better than those offered by its competitors [30]. This study focused on the definition of competitiveness and its dimensions at the firm level.

Generally, at the firm level, the competitiveness levels can be measured by criteria, including market share, profit, return on investment, and revenue from sales [38]. Many scholars considered productivity as a good indicator of competitiveness at the enterprise level [39]. Competitiveness was treated as a dependent variable, and it refers to a company's ability to sustain its

long-term performance better than its competitors in the market, as indicated by profitability, sales, market share, and growth rate [4], [18]. The competitive performance also can measure by seven items: Sales, Market share, Customer satisfaction, Benefits/utility, Profitability, Quality of products, Technological superiority [40]. According to Buckley et al. [41] and Cho et al. [42], to know the firm competitiveness level, it is necessary to understand and analyze factors such as costs reduction, financial performance, and the technological adoption. Similarly, John Kay described firm competitiveness in terms of four factors: the capacity to innovate, key internal and external relationships, reputation, and strategic assets [43]. A company can gains competitiveness through acts of innovation [44], and [45]. While, Vilanova et al. [19] described the firm's competitiveness in terms of capacity to innovate, key internal and external relationships, reputation, and strategic assets. These four factors represent measures of competitiveness. According to Vilanova et al. [19], competitiveness at firm level can be summarized as (i) performance - which involves standard financial measures such as earnings, growth or profitability (ii) quality - which involves the capacity to satisfy customer expectation (iii) productivity - which involves higher production and lower use of resources (iv) innovation - including products, services, and management processes, and (v) image - including corporate branding, trust, and reputation.

In sum, there are many competitiveness definitions, frameworks and proposals [30]. However, in this study, we suggested that competitiveness levels of SMEs could be measured by three key dimensions:

- *Financial performance, including standard financial measures such as sales revenue, profit margin and return on assets [46], [47];*
- *Innovative performance, including products and services as well as management processes, labor management and marketing method [48], [18] and [49];*
- *Relational performance, including company image and relations with stakeholders [40].*

Connecting CSR and competitiveness

Now a day, CSR has become increasingly significant to the competitiveness of SMEs [4]. SMEs could enhance their competitiveness if they implement CSR policies [50]. To remain competitive, business managers should determine how their businesses can become socially responsible, ecologically, sustainable, and economically competitive [3]. Haigh and Jones [51] concluded that competitiveness was one of the key drivers for adopting CSR initials. According to Porter and Kramer [52], context-focused philanthropy can offer companies a new set of competitive tools that well justifies the investment of resources. Porter and Kramer [52] defined competitiveness as productivity growth derived from either lower costs or differentiated products that command premium prices. They suggested considering four elements of competitive context, including factor conditions, local demand conditions, the context for firm strategy and rivalry, and related and supporting industries. And how companies have influenced these elements through philanthropy in ways that have improved their long-term economic prospects.

Many scholars have endeavored to understand how competitiveness impact of CSR on SMEs, e.g. Turyakira et al. [4], Castro et al. [53], Ljubojevic et al. [54], Battaglia et al. [18], and Herrera Madueño et al. [40]. Turyakira et al. [4], have been classified and empirically test the impact of CSR factors on the competitiveness of SMEs in Uganda. Their empirical outcomes indicated that the competitiveness of SMEs significantly impacted by workforce-oriented CSR activities, society-oriented CSR activities, market-oriented CSR activities, and regulated CSR activities. Similarly, Castro et al. [53] have investigated the effects of CSR at the competitiveness in Mexican SMEs. Their results from the analyzed a sample of 397 companies shown that CSR has positive influential at the SMEs' competitiveness level. In 2012, Ljubojevic et al. [54] had conducted a survey tried to evaluate the relation between strategic CSR activities in financial companies and the achievement of sustainable competitive advantage. Their conclusions have shown that there was a positive trend in organizational forms that are holders of CSR activities in financial services companies. Even though the majority of companies define their CSR policies, but do not make them public, they did not use as a means of achieving competitive advantage. Research results obtained in a country that is in slow transition, compared to the former socialist economies, represent a unique contribution. In another context, Battaglia et al. [18] analyzed the link between the adoption of CSR and competitiveness performance among SMEs operating in the fashion industry. Based on the analysis of 213 SMEs located in Italy and France, the outcomes have shown a notable correlation concerning the innovation process, both from the technological and the organizational point of view, and the intangible performances. Besides, the market-oriented CSR practice had shown a positive relationship as well. In the nearest study, based on the multi-

stakeholder perspective, Herrera Madueño et al. [40] investigated the existence of a direct or mediated link between the development of CSR initiatives and competitive levels. Their results had shown that the improvement of CSR practices could lead to enhancing the competitiveness both directly and indirectly, through the ability of these companies to manage their stakeholders.

In summary, there was a significant link between CSR and competitiveness of SMEs. It ordinarily begins with subjects of image and reputation [19]. Most of the present researches define competitiveness in terms of financial performance or productivity. Besides, they discovered that once CSR policy was accepted internally, it could provoke unexpected transformations in terms of business values and processes. However, there was no common framework for evaluating the relationship between CSR and competitiveness, and most companies adopt CSR approaches that are more reactive than proactive. Therefore, this study investigated the theoretical various CSR factors that could impact the competitiveness of SMEs, then determined appropriate measuring instruments for empirical testing the proposed research model, and to examine the possible connections between CSR and competitiveness level of SMEs.

3. HYPOTHESES AND MODEL

In order to identify and empirically test the CSR factors impacting the competitiveness level of SMEs, Turyakira et al. [4], Castro et al. [53], Battaglia et al. [18], and Herrera Madueño et al. [40]. Turyakira et al. [4], proposed the difference hypothesized models of CSR practices and competitiveness that including independent variables, mediating variables, and dependent variable. The model of Turyakira et al. [37] demonstrates

how the independent variables, including workforce-oriented, society-oriented, market-oriented, and environment-oriented CSR activities impact the mediating variables, namely, employee satisfaction, the reputation of the business and customer loyalty. These, in turn, lead to increased competitiveness, which is measured by market share, sales, profitability, and growth rate. Also, in the empirical study on SMEs in Uganda in 2014, Turyakira et al. [4] indicate that workforce-oriented CSR activities, society-oriented CSR activities, market-oriented CSR activities, and regulated CSR activities significantly impact the competitiveness of SMEs.

In a similar context, in order to analyze and investigate the CSR of SMEs, the European Union [55] provided a widely accepted classification that including two dimensions. Internal dimension encompasses the management of human resources, the safety, health of employees, change adaptation, management of environmental impact, and care of the natural resources. External dimension encompasses the support to local communities, suppliers, associates, and customers where the enterprise was settled, the respect of human rights, and the global environment. Besides, one of the most common and accepted classifications contributed to the scientific community which proposed by [56], who suggested three dimensions. The social dimension which included the relations with the stakeholders and the ethical behavior in companies. The environmental dimension which comprised the influence of the firm's activities in the environment in terms of responsible use of natural resources. The economic dimension which related the economic expectations of the suppliers and responsible trade.

However, based on the CSR multi-stakeholder perspective, this study considered a CSR measure which gathered items classified throughout four fundamental stakeholders: (i) Customers, (ii) Community, (iii) Employees, and (iv) Environment [17], [4], [37] [18], [40] and [47]. In the other hand, as analyzed in the previous section, in order to measure the competitiveness level of SMEs, this study focused on three key dimensions, including (i) Financial performance, (ii) Innovative performance, and (iii) Relational performance.

Since the proposed research model, as shown in figure 1. Based on the theoretical background and the proposed research model, the following hypothesis was established:

H₁: Competitiveness level is strongly influenced by the CSR level.

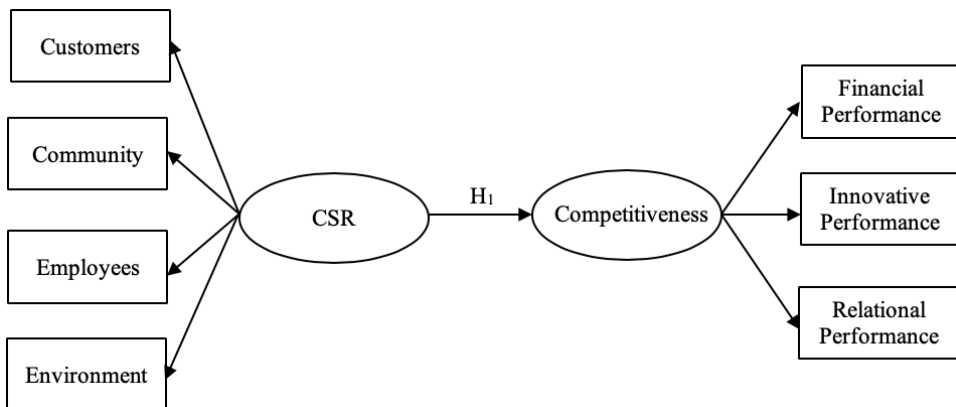


Figure 1. The proposed research model

4. RESEARCH METHODOLOGY

Sampling and data collection

In order to test the proposed research model, this study applied the deductive approach based on the quantitative technique. The objective of this method is to investigate the connection between CSR and competitiveness. Quantitative method was proper to test the

hypothesises the correlation between independent and dependent variables [57]. The target population of our study was SMEs in Vietnam. We chose the survey method to collect the primary data because it was an economical and efficient approach to gather quantitative data concerned to a given population for the purpose of generalizing the result. A web-based survey, in combination with direct interviews, was applied to collect data from the sample. Our questionnaire was generated based on the literature, as shown in table 3 and appendix 1.

The study's questionnaire was created by the google-forms tool, which was regularly used by researchers for collecting data. The web-based questionnaires were distributed through E-mail platform to collect the primary data from the selected Vietnamese SMEs, based on the member list of the Vietnam Association of SMEs. Besides, the questionnaire was printed to conduct direct interviews at the companies that agreed to do the interview. One thousand three hundred sixty-six companies were contacted for participation. In total, 216 valid questionnaires were obtained, in which 110 questionnaires were conducted in direct interviews, yielding a response rate of 15.8 per cent. Most questions were measured through a seven-point Likert scale interval scale (1 = strongly disagree and 7 = strongly agree), since it had been broadly used in surveys conducted about CSR in SMEs [58].

The demographic data of the respondents is shown in Table 2. It shows that out of the 216 respondents, (45.4%) were the joint-stock company, (29.6%) were other companies such as state-owned enterprises, multinational companies, and the rest were limited, partnership, and private companies. The majority of the respondents at (64.8%) worked in the trade and service sector, (31%) worked in the industry and construction sector, and only (4.2%) worked in Agriculture, forestry, and fisheries sector. Most of the companies (71.3%) that were contacted and interviewed are operated for more than nine years. A little less than one-ten (7%) are operated in less than three years while (21.8%) are operated between 3 to 9 years. A very high proportion (61.1%) of all surveyed respondents have more than 100 employees. Forty-seven of 216 companies did not disclose their turnover. (36.6%) were had turnover more than 200 billion VND, a little less than half of the respondents (41.7%) were had turnover less than 200 billion VND.

Table 2: Profile of respondents (N = 216)

Item		Frequency	Percentage
1. What is the form of your company?	Joint Stock Company	98	45.4
	Partnership	3	1.4
	Private business	11	5.1
	Limited company	14	6.5
	Limited company with 1 member	26	12
	Others	64	29.6
2. What is the business sector of your company?	Industry and construction	67	31
	Trade and services	140	64.8
	Agriculture, forestry and fisheries	9	4.2
3. How long has your company been running/operating?	Less than one years	3	1.4
	Between 1 and < 3 years	12	5.6
	Between 3 and < 9 years	47	21.8
	More than \geq 9 years	154	71.3
4. Approximately how many employees are there in your company?	Between 1 and \leq 10	22	10.2
	Between 11 and \leq 50	36	16.7
	Between 51 and \leq 100	26	12
	More than 100	132	61.1
5. What is the range of annual turnover in 2018 of your company?	Less than \leq 3 Billion VND	12	5.6
	3 to \leq 10 Billion VND	15	6.9
	10 to \leq 50 Billion VND	30	13.9
	50 to \leq 100 Billion VND	11	5.1
	100 to \leq 200 Billion VND	22	10.2
	More than \geq 200 Billion VND	79	36.6
	Not willing to disclose	47	21.8

Data analysis procedure

This study used the Statistical Package for Social Science (SPSS) version 24 and the Analysis of Moment Structures (AMOS) software version 24 for data analysis, which was conducted to address the research questions, objectives, and hypotheses. Before conducting data analysis, the data preparation was done on the completed questionnaires by editing, coding,

entering, and cleaning the data. Descriptive statistics such as the frequency, percentage, mean, standard deviation, were used to presented data summarization of demographic characteristics of respondents. Then, the Pearson correlation coefficient was used to describe the correlations among the variables. Confirmatory factor analysis (CFA) was carried out to assess the validity of the measurement model, fitting, and modification.

Besides, Cronbach's Alpha was used to examine the reliability of the scale items. The overall model fit was assessed using five goodness-of-fit indices, including the chi-square /degree of freedom (χ^2/df) ratio, the comparative fit index (CFI), the Tucker-Lewis index (TLI), the Bollen's incremental fit index (IFI), the root means square error of approximation (RMSEA). Then SEM was used to test the proposed hypotheses because of its ability to explain the relationships between unobserved constructs (latent variables) from observable variables [59].

Instrumentation development and measures

The study's questionnaire was improved based on a comprehensive review of the literature related to the CSR and competitiveness factors. The questionnaire contains two sections. Section one collected participant and company background information of the respondents such as gender, a working position, educational attainment, work experience, form of enterprise, business sector, company age, company size, and annual turnover. Section two included questions designed to measure the variables of the study by using a comparative seven-point Likert-type scale ranging from 1-7, in which (1 = strongly disagree, 7 = strongly agree). To some extent, this was crucial for conducting correlational or regression analysis, which was the method adopted by this study to test its hypotheses. The

variables used in this research were assessed using multiple items from different studies in the existing literature.

The conceptual model is developed to investigate the relationship between CSR and competitiveness of SMEs. For this purpose, CSR was viewed to be implemented through the lens of a multi-stakeholders framework [60]. Four principal stakeholder groups were identified and selected as supported by the literature, including Customers, Community, Employees, and Environment. Subsequently, seventeen items were adapted from the studies of [17], [18], and [4] to operationalize each sub-construct. Competitiveness level was operationalized by three factors: financial performance, innovative performance, and relational performance. Nineteen items were adapted from [53], [46], [49], [47], [61], and [40] to measure competitiveness level (table 6). Since the questionnaire was translated into Vietnamese, a measurement model was assessed. Cronbach's alpha coefficient was used to examine the internal consistency of the scales where Cronbach's alpha coefficient for all the constructs ranges between 0.833 and 0.952, and it was considered acceptable which indicated that all the items were internally consistent. Table 3 shows detailed information regarding the variables, sources, number of the items, and Cronbach's alpha.

Table 3: The study measures in regard to the variables, sources, and Cronbach's alpha

Variables		Source	N of Items	Cronbach's Alpha
CSR	Customers	<i>Turker [17]</i>	4	0.879
	Community	<i>Turyakira et al. [4], [37]</i>	4	0.865
	Employees	<i>Battaglia et al. [18]</i>	4	0.833
	Environment	<i>Herrera Madueño et al. [40] Jain et al. [47]</i>	5	0.841

Competitiveness	Financial Performance	<i>Castro et al. [53]</i> <i>Yuen et al. [46]</i> <i>Reverte et al. [49]</i> <i>Jain et al. [47]</i> <i>Martínez-Martínez et al. [61]</i> <i>Herrera Madueño et al. [40]</i>	6	0.952
	Innovative Performance		5	0.908
	Relational Performance		8	0.914

5. RESULTS

Descriptive statistics

Table 4 has shown a descriptive analysis (mean and standard deviation) of the data and the correlations matrix among variables. The means score for all the constructs were located between (5.152-6.015) and standard deviation (1.063-1.423) that indicates a proper implementation of CSR practices and competitiveness of SMEs in Vietnam. Also, the results have shown that each of the constructs was positively and significantly correlated with each other.

Table 4: Descriptive and correlation results

	Mean	Std. Deviation	CUS	COM	EMP	ENV	FP	IP	RP
CUS	6.015	1.067	1						
COM	5.388	1.256	.565**	1					
EMP	5.785	1.113	.687**	.610**	1				
ENV	5.152	1.280	.396**	.553**	.528**	1			
FP	5.339	1.423	.518**	.481**	.465**	.420**	1		
IP	5.435	1.199	.503**	.401**	.516**	.384**	.549**	1	
RP	5.390	1.063	.560**	.620**	.629**	.583**	.631**	.621**	1

** . Correlation is significant at the 0.01 level (2-tailed).

CUS = Customers, COM = Community, EMP = Employees, ENV = Environment, FP = Financial Performance, IP = Innovative Performance,

RP = Relational Performance. Measurement items used for calculation of the listed variables are explained in Appendix 1

Measurement model

To assess the validity of the measurement model and to test the fitting of the data with the proposed model confirmatory factor analysis (CFA) was used to evaluate the fitness of a measurement model. Table 5 presents the results of the index of CFA, including CMIN/df, IFI, TLI, CFI, and RMSEA. The outcomes concluded that the goodness-of-fit indicators of two models are satisfied with the suggested threshold value by [62] hence, indicated good model fitness.

Table 5: Index of confirmatory factor analysis of the two sub-models

	CSR Model	CA Model
CMIN/df	1.997	2.357
IFI	0.949	0.95
TLI	0.937	0.939
CFI	0.948	0.95
RMSEA	0.068	0.079

Reliability and Validity of Scales

As mentioned above, the AMOS 24 software was used to estimate convergent validity and discriminant validity. The reliability of the scales was evaluated using Cronbach's alpha coefficient as it had shown in table 3, Cronbach's alpha coefficient for all constructs ranges between 0.833 and 0.952, and it was considered acceptable which indicated that all the items were internally consistent [63].

To determine the convergent validity, there are three critical indicators, including Factor loadings, Average Variance Extracted (AVE) and

Composite Reliability (CR). Factor loadings, CRs and AVEs for convergent validity are presented in table 6. Most of the factor loadings equal to or greater than 0.6, and only item CSR17 has factor loading equal 0.456, meaning these items can be maintained as suggested by Hair et al. [62]. CR value for all constructs ranged between 0.842 and 0.942 which were above 0.70 which indicated that all the constructs had a good convergent validity as recommended by Gefen et al. [64]. AVE value for all the constructs were in the range between 0.544 to 0.735 which were above the threshold value 0.50 which was suggested by Hair et al. [62].

Table 6: Constructs evaluation

Constructs	Mesurement Items	Factor Loading	CR	AVE	P. Value
CUS	CSR1	0.841	0.885	0.659	0.000
	CSR2	0.885			0.000
	CSR3	0.82			0.000
	CSR4	0.687			0.000
COM	CSR5	0.681	0.868	0.623	0.000
	CSR6	0.791			0.000
	CSR7	0.838			0.000
	CSR8	0.837			0.000
EMP	CSR10	0.6	0.842	0.576	0.000
	CSR11	0.775			0.000
	CSR12	0.836			0.000
	CSR9	0.801			0.000
ENV	CSR13	0.818	0.852	0.544	0.000
	CSR14	0.829			0.000
	CSR15	0.791			0.000
	CSR16	0.728			0.000
	CSR17	0.456			0.000

Table 6: Constructs evaluation (continued...)

Constructs	Mesuament Items	Factor Loading	CR	AVE	P. Value
FP	FP1	0.603	0.942	0.735	0.000
	FP2	0.887			0.000
	FP3	0.831			0.000
	FP4	0.941			0.000
	FP5	0.871			0.000
	FP6	0.962			0.000
IP	IP1	0.748	0.906	0.661	0.000
	IP2	0.82			0.000
	IP3	0.737			0.000
	IP4	0.924			0.000
	IP5	0.822			0.000
RP	RP1	0.655	0.908	0.554	0.000
	RP2	0.63			0.000
	RP3	0.663			0.000
	RP4	0.776			0.000
	RP5	0.732			0.000
	RP6	0.809			0.000
	RP7	0.764			0.000
	RP8	0.888			0.000

Discriminant validity was assessed by using a new set of criteria for discriminant validity assessment in variance-based SEM, the heterotrait-monotrait ratio of correlations (HTMT) criteria, which was based on a comparison of the heterotrait-heteromethod correlations and the monotrait-heteromethod correlations, identified a lack of discriminant validity effectively, as evidenced by their high sensitivity rates, that supported by Henseler et al. [65]. The results in table 7 indicated that the measurement model indicates good construct validity and desirable psychometric properties.

Table 7: Discriminant validity of the constructs

	FP	IP	RP	CUS	COM	EMP	ENV
FP							
IP	0.591						
RP	0.678	0.685					
CUS	0.568	0.564	0.634				
COM	0.531	0.453	0.698	0.648			
EMP	0.524	0.597	0.721	0.805	0.718		
ENV	0.457	0.434	0.658	0.466	0.636	0.639	

Structural Equation Model

Structural equation modeling was used to test the hypothesized model. The results of the proposed structural model show the good fit (CMIN/df=2.330, IFI=0.883, TLI= 0.871, CFI=0.882, RMSEA=0.079). The results, presented in (Figure 2 and Table 8) indicated that CSR practices significantly impacted on competitiveness ($\beta=0.836$, $p<0.001$), the hypothesis H1 was supported.

Table 8: SEM results from the proposed research model

Hypothesis	Path	Beta Coefficient	P. Value	Result
<i>H1: Competitiveness level is strongly influenced by CSR level</i>	CSR → CA	0.836	0.000	Supported

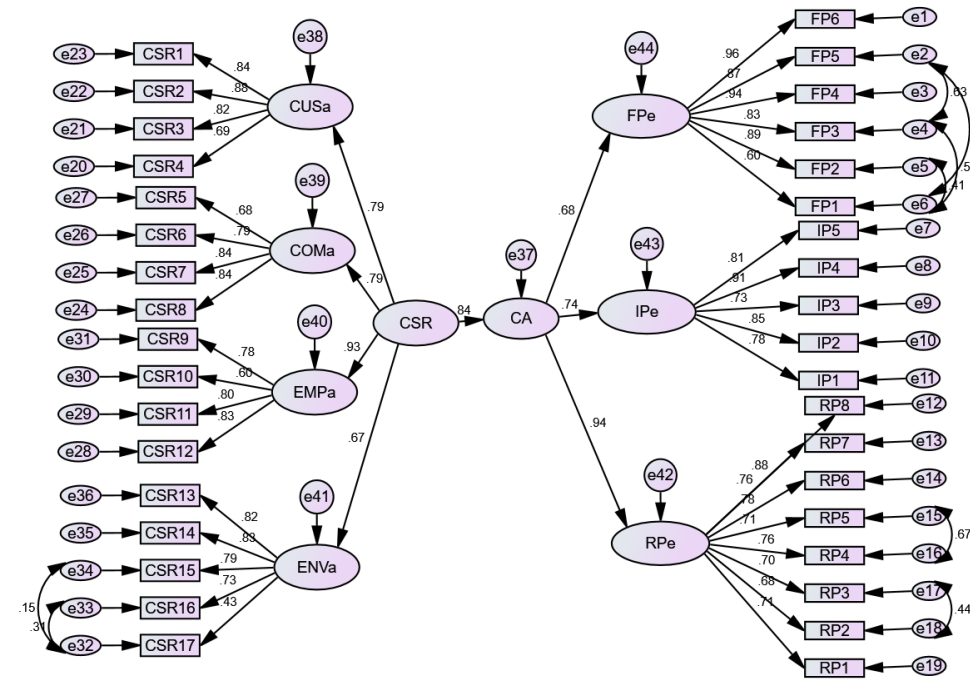


Figure 2: The SEM model analysis

6. CONCLUSIONS AND RECOMMENDATIONS

Due to limited studies in the literature, there was still no common framework for evaluating the relationship between CSR and competitiveness, and most companies adopted CSR approaches that were more reactive than proactive. Therefore, this study had proposed a causal model that explained the links between CSR factors and the competitiveness level of SMEs, then investigated the possible relations between them. The main findings of this study as following.

Firstly, based on the various theoretical CSR and competitiveness factors, this study proposes a new way to evaluate the relationship between CSR and competitiveness, adapted to SMEs. Along with a scale that initially suggested by Turker [17], this research provides to Vietnamese managers an alternative tool for starting to learn how to embrace and evaluate the

CSR: a CSR and competitiveness scale. Based on stakeholder theory, this scale can be considered as a guideline, which involves 17 socially responsible practices with four fundamental stakeholders, including Customers, Community, Employees, and Environment. So, it provides an essential step in gaining insights into specific CSR factors that influenced the competitiveness of SMEs.

Secondly, the findings of this study have been confirming the positive relationships between CSR factors and competitiveness level of SMEs which is in line with the opinion of , Turyakira et al. [4], Castro et al. [53], Battaglia et al. [18], and Herrera Madueño et al. [40]. We also found that the highest correlation was employee factor for which the interaction with the competitiveness variables was significant than the other CSR factors. On the contrary, the environment factor has the lowest correlation for which the interaction with the competitiveness variables. A partial explanation for this lies in the fact that the character of the interviewed Vietnamese SMEs, there are more than half of them operating in the trade and services sector, where the employee factor is the most important one. Employees are the ones who directly provide the services. Besides, the Vietnamese SMEs' absence of budgetary and specialized assets for the usage of social duty benchmarks and focus more on augmenting benefits than on social obligation [7].

Finally, as a result, we could conclude that the enterprises that apply CSR could improve its competitiveness level. SMEs need to apply and integrate CSR into their business strategies, which set them apart from their competitors and keep their level of competitiveness in their marketplace. The priority management of employee issues contributes more to the achievement of competitiveness level than the management of customer

and community activities, especially, the development of activities related to environmental.

Theoretical and managerial contributions of the study

Regarding the theoretical contribution, this study provides a research model for empirical literature in the field of CSR and the competitiveness of SMEs. Especially, this study developed a model to investigate the direct connection between CSR and competitiveness levels of SMEs. Base on multi-stakeholder perspective, CSR was measured by gathers items grouped around four key stakeholders: (1) Customers, (2) Community, (3) Employees, and (4) Environment; and the firm competitiveness levels were measure by three principal dimensions: (1) Financial performance, (2) Innovative performance, and (3) Relational performance.

The results from a SEM approach had confirmed the hypothesized relations. The results have shown that CSR practices significantly impacted on competitiveness levels of SMEs in Vietnam. Therefore, the empirical findings of this study have potential significance to fill the gap in the literature.

Besides the theoretical contributions, this study provides practical implications for SMEs management, the present study provided significant insight and demonstrated a good understanding of CSR practices, and competitiveness levels in the interviewed Vietnamese SMEs context. The findings of this study have the potential to help decision-makers to design their CSR practices to increase their firm's competitiveness. The study will bring management closer to understand the competitiveness impact of CSR at SMEs in order to address rapidly changing environments, in turn, support

makes decisions within the organization which has the potential to enhance their company's competitiveness.

Limitations and future research

Despite the theoretical and managerial contributions, this study had some limitations that need to be highlighting. First, the findings of this study were limited to the interviewed Vietnamese SMEs context so that we couldn't generalize our results to other countries and other businesses framework, as a consequence, more research will be needed in this area. Second, the analysis considered the existence of correlations between competitiveness variables and CSR practices, without considering whether the directions of the emerging correlation as significant nor analyzing the nature of these correlations. Therefore, more research and new specific hypotheses should be tested in order to clarify the characteristics of the significant connections that emerged. Third, even when there was much empirical research, it would be essential to understand the differences and similarities when implementing CSR in enterprises with different sizes, especially with various sectors of economic activities in the future studies. Furthermore, in future studies, it would be interesting to find out what would happen with the SMEs' competitiveness levels if enterprises only emphasized one of CSR factors: customers, community, employees, or environment.

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8. APPENDIX: LIST OF MEASUREMENT ITEMS

CORPORATE SOCIAL RESPONSIBILITY

1. Customer

CSR1. Clear and accurate information

CSR2. Quality assurance criteria

CSR3. Value to customers

CSR4. Resolve customer complaints in a timely manner

2. Community

CSR5. Companies recruitment and purchasing policies that favor the local communities

CSR6. Involvement in a project(s) with the local community

CSR7. Employees volunteer on behalf of the firm

CSR8. Donate to charity

3. Employee

CSR9. Commitment towards the health and safety of employees

CSR10. Work/life balance among employees

CSR11. Encourage employees to develop real skills and long-term careers

CSR12. Activities for employees benefit

4. Environment

CSR13. Pollution reduction

CSR14. Energy conservation

CSR15. Recycling and waste management

CSR16. Environmentally friendly packaging/containers

CSR17. ISO certification

COMPETITIVENESS

1. Financial performance

FP1. Change in sales revenue of the company

- FP2. Satisfaction with the change in sales revenue
- FP3. Change in the profit margin of the company
- FP4. Satisfaction with the change in profit margin
- FP5. Change in return on assets of the company
- FP6. Satisfaction with the change in return on assets

2. Innovative performance

- IP1. Our company has introduced new or substantially improved products/services in the last two years
- IP2. Our company has introduced innovations and improvements in production processes, logistics or distribution in the last two years
- IP3. Our company has introduced innovations in information and communication technology systems by intensifying the company's presence on the Internet and social networks
- IP4. Our company has introduced innovations in labor-management and organizational structure in the last two years (i.e., knowledge management, supply chain management, quality management systems, business process re-engineering, etc.)
- IP5. Our company has introduced innovation in marketing methods in the last two years (i.e., product design, distribution, promotion policies, etc.)

3. Relational performance

- RP1. Relations with customers
- RP2. Customer loyalty
- RP3. Relations with suppliers
- RP4. Employee satisfaction
- RP5. The loyalty and morale of employees
- RP6. The owners and investors satisfaction
- RP7. Relations with its local community and environment
- RP8. The company image

Chapter 6
DISCUSSION AND CONCLUSIONS

Discussion and Conclusions

This study mainly focuses on the relationship between CSR and competitiveness. Therefore, first of all, the study investigated the theoretical background of CSR and competitiveness to propose a research model about this link. Then apply the SEM to exploit the connections between CSR and competitiveness, do empirical research in Vietnamese SMEs.

Due to limited studies in the literature, there was still no common framework for evaluating the relationship between CSR and competitiveness, and most companies adopted CSR approaches that were more reactive than proactive. Therefore, this study had proposed a causal model that explained the links between CSR factors and the competitiveness level of SMEs, then investigated the possible relations between them. The main findings of this study as following.

Firstly, based on the various theoretical CSR and competitiveness factors, this study proposes a new way to evaluate the relationship between CSR and competitiveness, adapted to SMEs. Along with a scale that initially suggested by (Turker, 2009), this research provides to Vietnamese managers an alternative tool for starting to learn how to embrace and evaluate the CSR: a CSR and competitiveness scale. Based on stakeholder theory, this scale can be considered as a guideline, which involves 17 socially responsible practices with four fundamental stakeholders, including Customers, Community, Employees, and Environment. So, it provides an essential step in gaining insights into specific CSR factors that influenced the competitiveness of SMEs.

Secondly, the findings of this study have been confirming the positive relationships between CSR factors and competitiveness level of SMEs which is in line with the opinion of Turyakira et al., (2014), Battaglia et al. (2014), Castro et al., (2015), and Herrera Madueño et al., (2016). We also found that the highest correlation was employee factor for which the interaction with the competitiveness variables was significant than the other CSR factors. On the contrary, the environment factor has the lowest correlation for which the interaction with the competitiveness variables. A partial explanation for this lies in the fact that the character of the interviewed Vietnamese SMEs, there are more than half of them operating in the trade and services sector, where the employee factor is the most important one. Employees are the ones who directly provide the services. Besides, the Vietnamese SMEs' absence of budgetary and specialized assets for the usage of social duty benchmarks and focus more on augmenting benefits than on social obligation (Phan and Podruzsik, 2018).

Finally, as a result, we could conclude that the enterprises that apply CSR could improve its competitiveness level. SMEs need to apply and integrate CSR into their business strategies, which set them apart from their competitors and keep their level of competitiveness in their marketplace. The priority management of employee issues contributes more to the achievement of competitiveness level than the management of customer and community activities, primarily, the development of activities related to environmental.

Theoretical and managerial contributions of the study

Regarding the theoretical contribution, this study provides a research model for empirical literature in the field of CSR and the competitiveness of SMEs. Significantly, this study developed a model to investigate the direct connection between CSR and competitiveness levels of SMEs. Base on multi-stakeholder perspective, CSR was measured by gathers items grouped around four key stakeholders: (1) Customers, (2) Community, (3) Employees, and (4) Environment; and the firm competitiveness levels were measure by three principal dimensions: (1) Financial performance, (2) Innovative performance, and (3) Relational performance.

The results from an SEM approach had confirmed the hypothesized relations. The results have shown that CSR practices significantly impacted on competitiveness levels of SMEs in Vietnam. Therefore, the empirical findings of this study have potential significance to fill the gap in the literature.

Besides the theoretical contributions, this study provides practical implications for SMEs management, the present study provided significant insight and demonstrated a good understanding of CSR practices, and competitiveness levels in the interviewed Vietnamese SMEs context. The findings of this study have the potential to help decision-makers to design their CSR practices to increase their firm's competitiveness. The study will bring management closer to understand the competitiveness impact of CSR at SMEs in order to address rapidly changing environments, in turn, support makes decisions within the organization which has the potential to enhance their company's competitiveness.

Limitations and future research

Despite the theoretical and managerial contributions, this study had some limitations that need to be highlighting. First, the findings of this study were limited to the interviewed Vietnamese SMEs context so that we could not generalize our results to other countries and other businesses framework, as a consequence, more research will be needed in this area. Second, the analysis considered the existence of correlations between competitiveness variables and CSR practices, without considering whether the directions of the emerging correlation as significant nor analyzing the nature of these correlations. Therefore, more research and new specific hypotheses should be tested in order to clarify the characteristics of the significant connections that emerged. Third, even when there was much empirical research, it would be essential to understand the differences and similarities when implementing CSR in enterprises with different sizes, especially with various sectors of economic activities in the future studies. Furthermore, in future studies, it would be interesting to find out what would happen with the SMEs' competitiveness levels if enterprises only emphasized one of CSR factors: customers, community, employees, or environment.

THE NEW SCIENTIFIC RESULTS

1. Synthesizes the various theoretical of CSR and competitiveness factors, and then proposes a new causal model explaining the relationship between CSR factors and the competitiveness level of SMEs, adapted in developing countries. This proposed model includes seven key variables, of which the CSR is measured by 17 items grouped around four key stakeholders: Customers, Community, Employees, and Environment; and the competitiveness of SMEs is measured in three main factors: Financial performance, Innovative performance, and Relational performance.

2. The empirical results have confirmed the positive relationship between CSR and the competitiveness level of SMEs in developing countries. Moreover, the study findings also found that the highest correlation was the employee factor for which the interaction with the competitive variables was more significant than the other CSR factors. On the contrary, the environment factor has the lowest correlation for which the interaction with the competitiveness variables. Therefore, these study findings have potential significance to fill the gap in the literature.

3. This study provides significant insight and demonstrated a good understanding of CSR initials, and competitiveness levels in the interviewed Vietnamese SMEs context. The study findings will help decision-makers to design their CSR practices to increase their firm's competitiveness. The study will bring management closer to understand the competitiveness impact of CSR at SMEs in order to address rapidly changing environments, in turn, support makes decisions within the organization which has the potential to enhance their company's competitiveness.

SUMMARY

This dissertation aims to investigate the competitive impact of corporate social responsibility on SMEs, Then apply the SEM to exploit the connections between CSR and competitiveness, do empirical research in Vietnamese SMEs. Based on the synthesis of the various theoretical CSR and competitiveness factors, provides analysis and discussion of the literature, the benefits of the literature review and the research gaps, this dissertation propose a new way to evaluate the relationship between CSR and competitiveness, adapted to SMEs. A proposed causal model that explained the links between CSR factors and the competitiveness level of SMEs which involves 17 socially responsible practices with four fundamental stakeholders, including (1) Customers, (2) Community, (3) Employees, and (4) Environment, and the firm competitiveness levels were measure by three principal dimensions: (1) Financial performance, (2) Innovative performance, and (3) Relational performance.

In order to do empirical research in Vietnamese SMEs, this study adopted the survey method to collect primary data. A web-based survey, in combination with direct interviews, was applied to collect data from the sample. The study's questionnaire was created by the google-forms tool, which was regularly used by researchers for collecting data. The web-based questionnaires were distributed through E-mail platform to collect the primary data from the selected Vietnamese SMEs, based on the member list of the Vietnam Association of SMEs. Besides, the questionnaire was printed to conduct direct interviews at the companies that agreed to do the interview. One thousand three hundred sixty-six companies were contacted

for participation. In total, 216 valid questionnaires were obtained, in which 110 questionnaires were conducted in direct interviews, yielding a response rate of 15.8 per cent. Most questions were measured through a seven-point Likert scale interval scale (1 = strongly disagree, and 7 = strongly agree).

Data analysis was done by using Statistical Package for Social Science (SPSS) version 24 and the Analysis of Moment Structures (AMOS) software version 24. Before conducting data analysis, the data preparation was done on the completed questionnaires by editing, coding, entering, and cleaning the data. Descriptive statistics such as the frequency, percentage, mean, standard deviation, were used to presented data summarization of demographic characteristics of respondents. Then, the Pearson correlation coefficient was used to describe the correlations among the variables. Confirmatory factor analysis (CFA) was carried out to assess the validity of the measurement model, fitting, and modification. Besides, Cronbach's Alpha was used to examine the reliability of the scale items. The overall model fit was assessed using seven goodness-of-fit indices, including the chi-square /degree of freedom (χ^2/df) ratio, the comparative fit index (CFI), the Tucker-Lewis index (TLI), the Bollen's incremental fit index (IFI), the root means square error of approximation (RMSEA), and the hypotheses are tested by using structural equation modeling SEM.

To obtain the study objectives and empirically test the hypotheses, this dissertation conducted the empirical studies. The analytical results are presented in chapter five confirmed the positive relationship between CSR and the competitiveness level of SMEs in developing countries. Moreover, the study findings also found that the highest correlation was the employee factor for which the interaction with the competitive variables was more significant than the other CSR factors. On the contrary, the environment

factor has the lowest correlation for which the interaction with the competitiveness variables. Therefore, these study findings have potential significance to fill the gap in the literature.

Based on the existing literature and empirical results, the dissertation finalizes the new scientific results and provides theoretical and practical implications which are further discussed in detail.

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APPENDIX

Academic Research

Dear Sir/Madam,

My name is Phan Van Thanh. Together with my colleagues from Kaposvar University (Hungary), I would like to kindly ask you to participate in a short survey. Within our research project, we are investigating the competitive impact of corporate social responsibility on SMEs in Vietnam.

We would like to kindly and respectfully request your collaboration with the completion of the following questionnaire. The questionnaire is completely anonymous. This means that there is no connection between you as a respondent and the answers you will provide. Also, results will only be presented in an aggregated way. Please, use this link to access the online questionnaire or fill the attached questionnaire:

- **Online questionnaire:** <https://forms.gle/yZyPGCiTMDzyM1VD7>

The number of questions varies depending on your answers but the estimated duration for completion of the questionnaire is 10 to 15 minutes. If you decide to fill in my questionnaire, we will be glad to send to you the results of the survey. I believe these results may provide you with useful information on CSR and in this way may contribute to the creation or strengthening of competitiveness level of your enterprise.

In case of any question, please, do not hesitate to contact me. I thank you for your cooperation and your valuable time in advance very much.

Phan Van Thanh

Ph.D. Candidate – Kaposvár University, Hungary

E-mail: thanhpv.hut@gmail.com or thanh.phanvan@hust.edu.vn

Mobile: Vietnam +84-904-133-270 or Hungary +36-30-592-0280

Post Address: Phan Van Thanh. School of Economics and Management, Hanoi University of Science and Technology. No 1. Dai Co Viet Str., Hai Ba Trung Dist., Hanoi, Vietnam.

Note on privacy:

This survey is anonymous. The records that contain your answers to the survey do not contain any identification of you unless you specifically indicate this is allowed (in the survey)

Instructions for completion of the questionnaire: mark “x” to the answer, which you identify with the most (write a text if needed). In the questionnaire use only tabulators or mouse when moving from one question to another (do not use Enter key). After completion, please, save the questionnaire and send it to my return address. Thank you very much.

SECTION I. GENERAL INFORMATION ABOUT THE COMPANY AND RESPONDENT

Seat/residence of the company (only city):

- Ha Noi Da Nang Tp. Ho Chi Minh
 Others (Please explain):

1. Gender of respondent

- Male Female

2. Your working position in the company

- Director and above Manager Non-management or specialist

3. How long have you been in your company?

- Less than one years Between 3 and < 9 years
 Between 1 and < 3 years More than ≥ 9 years

4. Your highest qualification

- Non-University Bachelor's degree
 Certificate or diploma Master's degree and higher

5. What is the form of your company?

- Joint Stock Company Limited company
 Partnership Limited company with 1 member
 Private business Others

6. What is the business sector of your company?

- Industry and construction Trade and services Agriculture, forestry and fisheries

7. How long has your company been running/operating?

- Less than one years Between 3 and < 9 years
 Between 1 and < 3 years More than ≥ 9 years

8. Approximately how many employees are there in your company?

- Between 1 and ≤ 10 Between 51 and ≤ 100
 Between 11 and ≤ 50 More than 100

9. What is the range of annual turnover in 2018 of your company?

- Less than ≤ 3 Billion VND 100 to ≤ 200 Billion VND
 3 to ≤ 10 Billion VND More than ≥ 200 Billion VND
 10 to ≤ 50 Billion VND Not willing to disclose
 50 to ≤ 100 Billion VND

SECTION II. CORPORATE SOCIAL RESPONSIBILITY

Indicate your level of agreement with the following statements (1 = strongly disagree, 7 = strongly agree)

	1	2	3	4	5	6	7
CSR1. Clear and accurate information							
CSR2. Quality assurance criteria							
CSR3. Value to customers							
CSR4. Resolve customer complaints in a timely manner							
CSR5. Companies recruitment and purchasing policies that favor the local communities							
CSR6. Involvement in a project(s) with the local community							
CSR7. Employees volunteer on behalf of the firm							
CSR8. Donate to charity							
CSR9. Commitment towards the health and safety of employees							
CSR10. Work/life balance among employees							
CSR11. Encourage employees to develop real skills and long-term careers							
CSR12. Activities for employees benefit							
CSR13. Pollution reduction							
CSR14. Energy conservation							
CSR15. Recycling and waste management							
CSR16. Environmentally friendly packaging/containers							
CSR17. ISO certification							

Overall social responsibility item:

CSR18. I believe my company is working hard to behave in a socially responsible way.							
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SECTION III. FINANCIAL, INNOVATIVE AND RELATIONAL PERFORMANCE

Indicate your level of agreement with the following statements (1 = strongly disagree, 7 = strongly agree)

	1	2	3	4	5	6	7
FP1. Change in sales revenue of the company							
FP2. Satisfaction with change in sales revenue							
FP3. Change in profit margin of the company							
FP4. Satisfaction with change in profit margin							
FP5. Change in return on assets of company							
FP6. Satisfaction with change in return on assets							

Indicate your level of agreement with the following statements (1 = strongly disagree, 7 = strongly agree)

	1	2	3	4	5	6	7
IP1. Our company has introduced new or substantially improved products/services in the last two years							
IP2. Our company has introduced innovations and improvements in production processes, logistics or distribution in the last two years							
IP3. Our company has introduced innovations in information and communication technology systems by intensifying the company's presence on the Internet and social networks							
IP4. Our company has introduced innovations in labor management and organizational structure in the last two years (i.e., knowledge management, supply chain management, quality management systems, business process re-engineering, etc.)							
IP5. Our company has introduced innovation in marketing methods in the last two years (i.e., product design, distribution, promotion policies, etc.)							

Indicate your level of agreement with the following **improvements** relating to... (1 = strongly disagree, 7 = strongly agree)

	1	2	3	4	5	6	7
RP1. Relations with customers							
RP2. Customer loyalty							
RP3. Relations with suppliers							
RP4. The employee satisfaction							
RP5. The loyalty and morale of employees							
RP6. The owners and investors satisfaction							
RP7. Relations with its local community and environment							
RP8. The company image							

COMPETITIVE ADVANTAGE:

Indicate your level of agreement with the following statements (1 = strongly disagree, 7 = strongly agree)

	1	2	3	4	5	6	7
CA1. Our company is access to resources at competitive rates							
CA2. Our company has been able to increase market share in the last few years							
CA3. Our company is having good image in the minds of customers							

CA4. Our company is able to attract best talent from the market place							
CA5. Our company has superior technology compared to other competitors							

SECTION IV. CORPORATE SOCIAL RESPONSIBILITY – CONCLUDING QUESTIONS

Indicate your level of agreement with the following statements (1 = strongly disagree, 5 = strongly agree)

	1	2	3	4	5
UCSR1. I fully understand the concept of "Corporate Social Responsibility - CSR" before getting this questionnaire.					
UCSR2. I regularly update the Code of Conduct, CSR Implementation Guidelines of various CSR organizations around the world.					
UCSR3. My company is deploying CSR activities effectively (i.e. social and environmental activities).					
UCSR4. My company regularly measures and evaluates CSR activities.					
UCSR5. Employees of the Company (or myself) authorized/responsible for the coordination of CSR (i.e. social and environmental activities)?					
UCSR6. My company include social and environmental aspects in the annual report					

UCSR7. The primary drivers that determine the adoption of socially responsible practices in your company...	1	2	3	4	5
7.1. Stakeholders pressure (buyers, NGOs, government...)					
7.2. Financial and production efficiency gain					
7.3. Increase the enterprise's reputation					
7.4. Improve competitiveness in the market					
7.5. The long-term development of the company					
7.6. Customer expectations					
7.7. Ties and integration with the local community					
7.8. Commitment to environmental sustainability					
7.9. Worker security and health					

Other (Please explain):

UCSR8. The major barriers/obstacles for your company for behaving socially responsibly towards its community and environment...	1	2	3	4	5
8.1. Lack of know-how for implementation of Corporate Social Responsibility in the company					
8.2. Such (responsible) behavior doesn't benefit to the company in any way					
8.3. Lack of understanding of the issue and its possible benefits					
8.4. The benefit of CSR is not visible					
8.5. Lack of human resources/capacity					
8.6. Lack of financial resources					
8.7. Absence of state/government support					
8.8. Complex procedures of measurement and reporting					
8.9. Lack of time (not enough time)					

Other (Please explain):

In case of having interest in the results of this survey, please, fill in the following information.

Name:

E-mail/Mobile:

**THANK YOU VERY MUCH
FOR YOUR TIME AND YOUR ATTENTION, YOU PAID TO
THIS QUESTIONNAIRE !**

Publications related to the topic of the dissertation

1. Phan, Van-Thanh and Podruzsik, Szilárd (2017). *Corporate social responsibility in Vietnamese SMEs (Abstract)*. Abstracts of the 6th International Conference of Economic Sciences. Kaposvár University – Kaposvár – Hungary - 4-5 May 2017. Page 61. ISBN 978-615-5599-41-5
2. Phan, Van-Thanh and Podruzsik, Szilárd (2017). *Corporate social responsibility in Vietnamese SMEs*. Proceedings of the 6th International Conference of Economic Sciences. Kaposvár University – Kaposvár – Hungary - 4-5 May 2017. Page 381-390. ISBN 978-615-5599-42-2
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10. Phan Van-Thanh and Podruzsik Szilárd (2021), ***The Competitive Impact of CSR on SMEs: An Empirical Research in Vietnam***. American-Eurasian Journal of Sustainable Agriculture, 15(1), pp. 29-44, ISSN: 1995-0748, EISSN: 1998-1074, DOI: 10.22587/aejsa.2021.15.1.3

Publications not related to the topic of the dissertation

1. Ngo, Thai Hung and Phan, Van-Thanh (2017). ***An empirical analysis on volatility- Evidence for the Budapest stock exchange using GARCH model (Abstract)***. Abstracts of the 6th International Conference of Economic Sciences. Kaposvár University – Kaposvár – Hungary - 4-5 May 2017. Page 32. ISBN 978-615-5599-41-5
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SHORT PROFESSIONAL CV



Phan Van Thanh

Hungarian University
of Agriculture and Life Sciences

Hungary

Phan Van-Thanh has been a Ph.D. Candidate at the Faculty of Economic Science, Hungarian University of Agriculture and Life Sciences, Hungary, since 2016. He has worked as a lecturer at the Faculty of Economics and Management, Hanoi University of Science and Technology (HUST), Vietnam since 2002. He is also Vice-director of the Research Center for Economics and management, HUST. He gained an MBA from HUST in 2008 after he got a Diploma of Asian Institute of Technology, Thailand. His major research and teaching interests are marketing, management, and e-commerce. His primary focus of articles/books includes the CSR concept and business administration area.