

AN OVERVIEW OF RESEARCH ON CORPORATE SOCIAL RESPONSIBILITY IN SOME DEVELOPING COUNTRIES AND LESSONS FOR VIETNAM

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Received: 9 March 2016 / Accepted: 10 October 2017 / Published: November 2017

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Abstract: *The literature review and the practice of corporate social responsibility (CSR) in Vietnam of this article will show the fact that CSR has a great contribution to the success in business and production activities of the enterprises. However, social responsibility in Vietnam is in the first step of awareness and implementation, meanwhile a proper implementation of CSR can bring along a variety of competitive advantages. In order to improving CSR of Vietnameses' enterprises, it should increase the awareness of CSR for stakeholders; form the standards, codes of conduct at national and regional level on CSR; gradually adopt CSR reporting and require CSR as a selection criterion for investors in Vietnam.*

Keywords: *Corporate Social Responsibility (CSR), developing countries, Vietnam.*

1. Introduction

In the current international integration, the role of implementing social responsibility is increasingly important in business activities of enterprises in developing countries. In these countries, there is a growing recognition of the significant effect of the enterprises activities on employees, customers, communities, the environment, competitors, business partners, investors, shareholders, governments and others. It is also becoming increasingly clear that firms can contribute to their own wealth and to overall societal wealth by considering the effect they have on the world at large when making decisions in developing countries (Paul Hohnen, 2007). A key driver of CSR is the impact it can have as a lever for improving competitiveness and as a means of reducing costs and creating new value. Most businesses seek to be profitable, and this can be done in a manner which creates shared value for all stakeholders. High performing organizations manage their societal, economic and environmental responsibilities in an ethical manner which benefits them, their workers and their wider local communities (Richard Bruton, 2014). However, some businesses do not understand the process of putting social responsibility into the business.

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This article uses the theoretical research method to explore some of the issues related to CSR, role, impact and situation of CSR in developing countries through studies of authors in the world to understand the nature and trends; review the practice of CSR in Vietnam and finally draw direction for the implementing the CSR issue in Vietnam. The literature review in some developing countries of this article shows the fact that the success in business and production activities of the enterprises will lead to the great contribution of the provincial budget, fulfilling their tax obligations to the State, ensuring the employee lives, protecting environment and supporting the poor communes and poor, etc. which are as evidence for the implementation of social responsibility effectively. Moreover, in the context of Vietnam, to guide and facilitate the implementation of good CSR, the best way for enterprises is to strengthen information and propaganda for stakeholders to understand the nature and contents of the issue “social responsibility” in the business to know and comply.

2. Literature review

2.1. Corporate Social Responsibility

CSR is a rather new concept for many companies and it is becoming a strategic approach to run businesses on a sustainable basis during international integration. The EU commission describes CSR as “A concept whereby companies integrate social and environmental concern in their business operations and in their interaction with their stakeholders on voluntary basis” (Dahlsrud, 2008, p.7). It depends upon the business organizations: how they integrate this concept and adapt to it, if deciding whether to go beyond the minimum legal requirement. The companies’ social and environmental integration is essential for demonstrating their interest among stakeholders.

Business dictionary defines CSR as a company’s sense of responsibility towards the community and environment (both ecological and social) in which it operates. Companies express this citizenship through their waste and pollution reduction processes, by contributing educational and social programs and by earning adequate returns on the employed resources. A broader definition expands from a focus on stakeholders to include philanthropy and volunteering (Paul Hohnen, 2007).

According to United Nations Industrial Development Organization, Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (Triple Bottom Line Approach), while at the same time addressing the expectations of shareholders and stakeholders. In this sense it is important to draw a distinction between CSR, which can be a strategic business management concept, and charity, sponsorships or philanthropy. Even though the latter can also make a valuable contribution to poverty reduction, it will directly enhance the reputation of a company and strengthen its brand, concept of CSR clearly goes beyond that.

Blowfield and Frynas (2005) defined CSR as an umbrella term and distinguished different aspects of CSR that companies have to consider, such as social and environmental aspects in their business strategy and ensuring responsible behavior when dealing with other business companies. Behaving as ethical corporate citizen, Carroll (2008) uses Corporate Social Performance model to measure social performance of business organizations.

According to Carroll (1991), CSR involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive. To be socially responsible then means that profitability and obedience to the law are foremost conditions when discussing the firm's ethics and the extent to which it supports the society in which it exists with contributions of money, time and talent. The different layers of the pyramid illustrated different types of obligations that society expects from businesses (Figure 1).

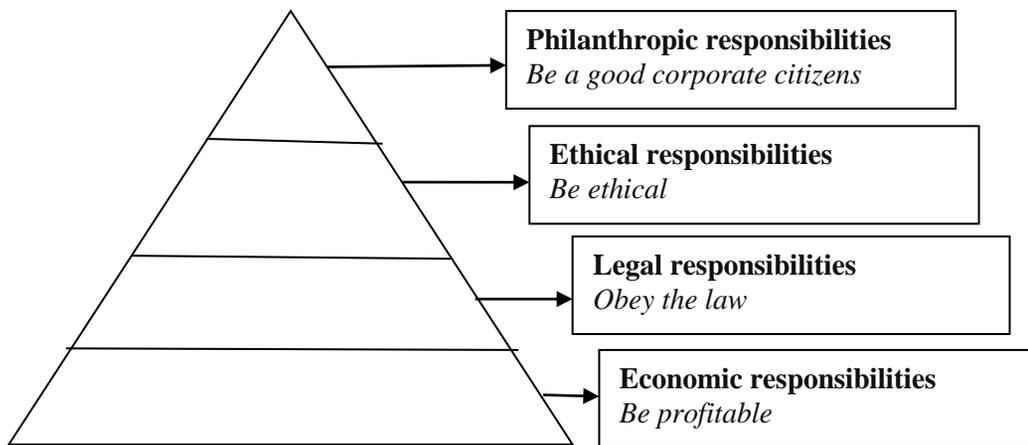


Figure 1. CSR pyramid by Carroll (1991)

In spite of any definitions, the term CSR refers to the concept of business being accountable for how it manages the impact of the processes on stakeholders and take responsibility for producing a positive effect on the society. CSR has been defined as the continuing commitment by business to behave properly, fairly and responsibly and contribute to economic development while improving the life of the workers and their families as well as the local community and society at large.

2.2. Overview of research on Corporate Social Responsibility in some developing countries

Asia is the region most often covered in the literature on CSR in developing countries, with a significant focus on China (e.g. Zhuang and Wheale, 2004), India (e.g. Balasubramanian et al. 2005), Indonesia (e.g. Blowfield, 2004), Malaysia (e.g. Zulkifli and Amran, 2006), Pakistan (e.g. Lund-Thomsen, 2004)¹. The Journal of Corporate Citizenship special issue on CSR in Asia (issue 13, 2004) provides a good overview of the status of the debate. Editors Birch and Moon (2004) note that CSR performance varies greatly between

¹ CRS in global context (Crane, 2010), pp. 3-20, Routledge (eJournal)

countries in Asia, with a wide range of CSR issues being tackled (e.g. education, environment, employee welfare) and modes of action (e.g. foundations, volunteering, and partnerships). Chapple and Moon (2005) find that nearly three-quarters of large companies in India present themselves as having CSR policies and practices versus only a quarter in Indonesia. Falling somewhere between these two extremes are Thailand (42%), Malaysia (32%), and the Philippines (30%). CSR in developing countries represent “the formal and in-formal ways in which business makes a contribution to improving the governance, social, ethical, labor and environmental conditions of the developing countries in which they operate, while remaining sensitive to prevailing religious, historical and cultural contexts’ (Visser et al. 2007).

The study of Syed Kamran Hameed, 2010 in Pakistan is based on empirical findings where all the facts and information are gathered through qualitative approach. The six different companies in which three multinational MN’s and three domestic companies have CSR in their strategy have been selected. The descriptions of all their CSR strategies is then compared with the theoretical framework. The analysis of empirical findings under theoretical assumptions reveals that most of the CSR is carried in a similar way which is based on community development through charity or philanthropy (Syed Kamran Hameed, 2010). To increase the general awareness about CSR the companies have to consider environmental, social, and ethical awareness in their business strategy and try to go beyond philanthropy or charity and adopt a long term sustainable strategy in the business to become ethical corporate citizen. This can make Pakistan a place for an attractive business environment for investors.

The “social contract’ between the corporation and the community is of critical importance. The motivations for these contracts are continuously being revisited to understand how CSR programs can nurture and contribute to the growth of firms. While CSR issues are attracting a great deal of attention in the developed world, there is a need for more research into CSR in the developing world. The paper of Ali Quazi et.al (2007) consider the CSR practices of a small sample of multinational corporations (MNCs) and local firms in Bangladesh to better understand this situation. According to this research, CSR is no longer exclusively a developed country phenomenon. Managers operating in developing countries are also showing interest and commitment to CSR. Despite being one of the world’s poorest countries, CSR actions in Bangladesh have raised significantly importance as noted from the findings of the study. It is believed that the interest in CSR initiatives in Bangladesh has been fuelled largely by MNCs. As countries like Bangladesh are increasingly exposed to global standards, it is anticipated that the growth of CSR will continue. From a marketing standpoint, CSR is also becoming attractive to Bangladeshi companies for strategic reasons. Firms use their CSR records to create the image of socially responsible firms and thereby influence consumer buying decisions in favor of the goods and services marketed by them.

In other developing countries of Africa or Latin America, the researchers showed that CSR in developing countries is different from its typical manifestation in the developed world such as America and Europe (Correa et al., 2004; Oliveira, 2006; Visser, 2007) due to the 10 different drivers: cultural tradition, political reform, social economic priorities, governance

gaps, crisis response, market access, international standardization, investment incentives, stakeholder activism, supply chain (Crane, 2010).

Dang Thi Hoa and her partner (2016) in a research on CRS in the context of Vietnam enterprise showed that CRS is considered to be one of the most important requirements for an enterprise if it wants to grow significantly in comparison with its local business and reach out to businesses around the world. However, in Vietnam, the implementation of CRS is relatively difficult. The main reason is that the understanding of CRS by enterprises is still incomplete as they simply think that CRS is for charity, while CRS is a very necessary requirement for a business operating in today's society (Dang Thi Hoa, 2016).

Phu-Hop Mai (2017) in the research of "The CSR in Vietnam to day" continuously illustrated that "the good implementation of CSR by the corporate does not only ensure the sustainable development of the corporate but also the society". Similar to the trend, in Vietnam, the businesses who are bringing the CSR into strategy often are big ones and most with export market. Meanwhile, the medium and small enterprises, which are accounted for over 97% of all business², have not seen opportunities and benefits of the CSR; some of them have even misunderstood or intentionally misunderstood the importance of SCR (Phu-Hop Mai, 2017).

Taking all of the review, the author of the paper assumed that the order of the CSR layers in developing countries, which are included four indicators of the various responsibilities (mentioned as CSR pyramid), differs from Carroll's classic pyramid. Following, in developing countries, economic responsibilities still get the most emphasis, which lied in the bottom of the pyramid. Meanwhile, philanthropy is assumed as the second highest priority, followed by legal and then ethical responsibilities.

3. The practice of Corporate Social Responsibility for sustainable development in the case of Vietnam

In Vietnam, the government has recently raised the awareness of businesses and stakeholders on CSR, to be regarded as an important content in the agenda of sustainable development. The issue of social responsibility of enterprises recently has been interested by state's departments by applying certification to management system, such as quality management system (ISO 9000), environmental management system (ISO 14000), labor and social responsibility assembly (SA 8000).

The international organizations in Vietnam have been putting much effort in promoting and implementing CSR contents, including: working conditions, occupational health and safety, labor relations and human resource management, energy savings; reducing carbon emissions; use of recycled materials; use of solar energy; improved drinking water sources; literacy; school construction; relief, support victims of disasters; establish and fund research

² Source: Statistic of Vietnam General Statistical Office

centers. The concept of CSR has been introduced into Vietnam through the operation of foreign invested multinational companies such as: “Program I love Vietnam” of Vietnam Hondas company; “Hygiene education program for children” by Unilever company; “Training Program-Topic 64” by Microsoft, Qualcomm and HP Computer companies; “Congenital Heart Defect-Support Program” and “Can Tho Bridge Incident Victims Program” by Vinacapitat, Samsung's companies; “Vision rehabilitation program for poor children” by Western Union.

Each year, the Chamber of Commerce and Industry of Vietnam, the Ministry of Labor, Invalids and Social Affairs, the Ministry of Trade and Industry together with the associations of Footwear, Textiles award “*Social responsibility of businesses towards the sustainable development*” in order to honor the way enterprises implement social responsibility, from those, many large enterprises in Vietnam have found that social responsibility is one of the indispensable requirements in the context of globalization and international integration. If businesses do not comply with CSR, they will not be access to the world market.

Many businesses when implementing social responsibility have brought about practical results in production and trade. Recent survey results by the Institute of Labor Science and Social Affairs carried out on 24 enterprises of the two branches Shoes and Textile show that, thanks to the implementation of programs of social responsibility, sales of these businesses have increased by 25%, labor productivity has increased from 34.2 million to 35.8 million/1 employee/year; exports increase from 94% to 97%³. Besides economic efficiency, these businesses also strengthen their reputation with customers; create loyalty and satisfaction of employees of enterprises, attracting labor force with high expertise. These enterprises implement the full responsibility to pay taxes to the state; registered implementation of social responsibility in the form of a commitment to environmental protection.

However, many enterprises have not implemented seriously its social responsibility in operation, leading to cases of cheating in business, financial statements; uninsured work safety, substandard products and causing environmental pollution. Typical is the case of discharging wastewater without treatment causes serious pollution to rivers and communities of the Miwon Company, Viet Tri Paper Company, Hyundai Vinashin (Khanh Hoa). In addition, many businesses that violate the law on wages, insurance benefits, workplace safety. These phenomenons also are not uncommon, have been pressing for social causes. Regarding safety issues, according to statistics reported by the Ministry of Labor, Invalids and Social Affairs from 2014 to 2016, the accidents happened nation wide in working tend to increase in the number, making higher labor victims in these accidents (Table 1). Number of death employees in 2016 is 862 employees, an increase of 29,4% over the previous year. In December 2016, authorities discovered 898 violations of regulations on environmental sanitation, which handled 719 cases with a total fine of 7.8 billion. Generally, in 2016, 14,580

³ Cited following molisa.gov.vn (website of Ministry of Labour, War invalids and Social Affairs)

cases of violations of regulations on environmental protection have been detected in the whole country, of which 8,249 cases have been handled with a total fine of over 462 billion VND⁴.

Table 1. Statistical occupational accident situation from 2014 to 2016

No	Statistic Criteria	Year 2014	Year 2015	Year 2016
1	Number of cases	6.709	7.620	7.981
2	Number of victims	6.941	7.785	8.251
3	Number of cases with deaths	592	629	799
4	Number of death victims	630	666	862
5	Number of seriously injured victims	1.544	1.704	1.952
6	Number of female victims	2.136	2.432	2.371
7	Number of cases with from over 2 victims	166	79	106

(Source: Ministry of Labor, Invalids and Social Affairs⁵)

Experienced three decades of innovation, from a poor country, Vietnam has become a country with average income levels in the world. However, simultaneously with the development, the contradictions in social life are rising. A new social phenomenon appeared and also shows the contradiction: that is the both struggling and cooperation relationship between employers and employees in recent years. In fact, in recent times, many labor disputes and strikes have occurred in enterprises, especially in foreign investment enterprises and private enterprises. They affect the environment investment and economic growth - as well as social order and safety in the business society and local areas. Most of the reasons given for their workers held strike at all businesses are focused on many issues, such as overtime, working conditions, low compensation and salary, which do not provide enough for employees' life. Especially, in many companies, rules and regulations are too harsh for workers, which not only dis-encourage employees to increase productivity but also have an impact back. In a state enterprise as Vinasin, a statistic in 2010 showed that there were about 17,000 workers change jobs or quit; 5,000 workers lost their jobs; many workers of several factories and factories slowed paid for months (Pham Duy Nghia, 2011)⁶. In addition, many of the strikes occurred mainly in the textile business, footwear, seafood processing, timber processing, electronic assembly, of the invested enterprises from Korea, Taiwan Japan, Hong Kong who are now using more labor. Another reason is a capitalist-style management: the harsh and cruel treatment of the employers to the employees also causes strikes. According to the Institute of Workers and Staff Union of Vietnam Labor Confederation, 2014, in recent 10 years, there have been 878 strikes occurred in FDI, accounting for 70.7% of the total number of strikes in Vietnam⁷.

⁴ Source: Statistical report of socio-economic situation in 2016 of GSO (website: <http://www.gso.gov.vn>)

⁵ Statistical report on occupational accidents situation from 2014 to 2016 from the website (www.molisa.gov.vn)

⁶ Fulbright Economics Teaching Program document from 2011 - 2013

⁷ www.congdoan.vn

There are different opinions about the causes of failure to implement business ethics and social responsibility of enterprises in Vietnam. Some people believe that the social responsibility of enterprises in Vietnam have not been legalized in all businesses. For large businesses with export market, as required by the customer, social responsibilities are forced to perform. For small and medium enterprises, due to financial constraints and lack of legal constraints, most businesses only understand social responsibility as “charitable donations”. Some others said that the implementation of social responsibility will increase costs of businesses, reduce competitiveness but not foresee benefits, so small and medium businesses do not want to implement social responsibility. However, in recent years, due to environmental disasters and the negative consequences on society caused by businesses, social responsibility issues pose imperatively for Vietnam legal system. In short, social responsibility in Vietnam is in the first step of awareness and implementation. Certainly, along with the development process of the country, social responsibility will be enhanced more with the completion of the legal framework, the state apparatus and institutions of market economy and social institutions.

4. Lessons learned for improving Corporate Social Responsibility in Vietnam

4.1. Increase the awareness of CSR for stakeholders

CSR is not a new theme in Vietnam. Many businesses, especially those enterprises exporting to the EU, Japan and North America regularly faced with the reporting requirements related to CSR. Many seminars, conferences, forums, courses on CSR were held. However, it seems that CSR has not really been interested in Vietnam, both in terms of perspective, content and the way to be done. Most businesses do not have adequate awareness about CSR and its role for enhancing the competitiveness and the sustainable development of their businesses, even some still consider CSR as the cost burden. In particular, the people, the community, employees, consumers increasingly harder approach on this issue, while these are the associated benefits.

Therefore, we must first continue to propagate, disseminate and raise awareness about CSR in a stronger, scope and wider audience, not confined to entrepreneurs, businesses, agencies, organizations that must go to the community and local residents, including the introduction of the general education program. Businesses and stakeholders should actively aware of CSR.

4.2. Form standards, codes of conduct at national and regional level on CSR

Vietnam has not yet built the CSR codes of conduct. A few businesses, if they want their makes, so it is very difficult to apply in a systematic way. So we need to build the CSR evaluation standards in Vietnam that is based on international experience, actual conditions in the country. Along with that is the building of the CSR in an independent and responsible evaluation system.

4.3. Gradually adopt CSR reporting

Annual reports or periodic CSR is not just a promotional tool, but also is the media for the owner, the state, the community and the stakeholders reviews, communicate with the enterprise's operations.

The adoption of CSR reporting regime in Vietnam is a process of perfecting the steps both from the government and enterprises and other organizations, and might not have the conditions to apply in the short term. However, from the experience of world, Vietnam enterprises should adopt the report mode for large-scale enterprises, which have much greater impact on society and the environment.

4.4. Gradually take CSR as a selection criterion for investors in Vietnam

Businesses implement CSR are firms having capable of capital, technology, business ethics and sense of contribution to the local community. The implementation of harmonized business strategy, long-term sustainability of enterprises with foreign capital implement CSR can provide learning opportunities for local firms, forcing domestic firms to gradually raise awareness and social responsibility to be involved in production networks of foreign companies.

5. Conclusion

A proper implementation of CSR can bring along a variety of competitive advantages, such as enhancing access to capital and markets, increasing sales and profits, operational cost savings, improving productivity and quality, efficient human resource base, improving brand image and reputation, enhancing customer loyalty, better decision making and risk management processes. In order to improving CSR of Vietnamese' enterprises, it should increase the awareness of CSR for stakeholders; form the standards, codes of conduct at national and regional level on CSR; gradually adopt CSR reporting and take CSR as a selection criterion for investors in Vietnam.

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