

Corporate Social Responsibility Perceptions and Activities of Small and Medium
Enterprises in Vietnam

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Thuy T. T. Ho

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by

THUY T. T. HO

has been approved for
the Program of Environmental Studies
and the Voinovich School of Leadership & Public Affairs by

Derek Kauneckis

Associate Professor of Environmental Studies

Mark Weinberg

Dean, Voinovich School of Leadership & Public Affairs

ABSTRACT

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Director of thesis: Derek Kauneckis

Corporate social responsibility (CSR) has become a popular trend in business for sustainable development in developed countries yet evolved in developing countries, particularly in Vietnam. Studies about CSR practices in Vietnam remain scarce, especially in small-and medium-scaled enterprises (SMEs). Most of the enterprises do not have sufficient understandings of CSR aspects, but a variety of perceptions due to different business contexts. This study aims at examining the perceptions and practices of CSR implemented by SMEs in Vietnam. Theoretical framework provides a debate of CSR's pyramid in developed countries which are established by dynamics of economic, legal, ethical, and philanthropic responsibilities. It argues that CSR practices in developing countries are formed by a shift of economic and legal responsibilities, which found dominant in developed countries, into philanthropic responsibilities due to country-specific contextual determinants. The study also looks at environmental responsibilities, which has been considered an important aspect that emerged in the past recent year, and how it is incorporated in CSR practices by SMEs in the country. The study employs Qualitative research method that focuses on Grounded theory to theorize the CSR phenomena based on semi-structured interviews with enterprise' representatives, reports, websites, and researcher's personal observation. The study findings suggest that understandings and

practices of CSR in Vietnam are similar to such dimensions in developed countries, which are driven by economic and legal aspects and are influenced by external environment such as market segments where SMEs sell their products. Meanwhile, environmental responsibilities are found evolving in CSR practices as a result of government regulations and market requirements. The study concludes some implications and recommendations for promoting CSR in small and medium-scaled business organizations in the country towards sustainability.

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TABLE OF CONTENTS

	Page
Abstract.....	3
Acknowledgments.....	5
List of Tables	9
List of Figures	10
Chapter 1: Introduction	12
1.1 Corporate social responsibilities in Vietnam	12
1.2 Purposes of the study	17
1.3 Research questions	17
1.4 Significance of the study	18
1.5 Limitations of the study	18
Chapter 2: Theoretical Framework.....	20
2.1 Definitions of corporate social responsibilities	20
2.2 Drivers of CSR	22
2.3 CSR in developing countries	24
2.3.1 Concepts and drivers of CSR in developing countries	24
2.3.2 CSR challenges in developing countries	27
2.4 The emergence of environmental responsibilities	31
2.5 CSR standardizations and certifications in supply chains	35
2.5.1 Environment management certification - ISO14001	35

	7
2.5.2 Social responsibility - ISO 26000	37
Chapter 3: Research Contextual Issues	42
3.1 Geographic and demographic overview	42
3.2 Political and socio-economic overview	43
3.3 Law on foreign investment and foreign direct investment inflow	47
3.4 Small- and medium-scale enterprises in Vietnam.....	50
3.5 Supporting policies for SMEs development.....	54
3.6 Obstacles to SMEs expansion	56
3.7 Existing regulatory frameworks on environmental protection and labor rights	58
Chapter 4: Methodology.....	60
4.1 Research design.....	60
4.2 Grounded theory.	61
4.3 Sampling methods and data analysis	62
Chapter 5: Study Results	65
5.1 Scales and markets of business	65
5.2 Perception of SMEs about CSR.....	69
5.3 Reasons for CSR engagement	74
5.4 Drivers and benefits of CSR	79
5.5 CSR activities implemented by SMEs.....	83
5.6 Standards and code of conducts	88
5.7 Constraints of CSR application.....	94

	8
5.8 Recommendations for CSR application.....	96
Chapter 6: Discussions.....	97
6.1 Perceptions and determinants of CSR in SMEs.....	97
6.2 Voluntary standardizations as triggering instruments for CSR.....	99
6.3 The emergence of environmental responsibilities in Vietnamese SMEs.....	101
6.4 Constraints of CSR adoption	102
6.5 Options to promote CSR in Vietnam	104
6.5.1 Government policies and law enforcement	104
6.5.2 CSR awareness and collaborative partnership for SMEs.....	105
6.5.3 Environmental responsibilities and environmental-friendly production	107
6.6 Suggestions for future research	109
References	110
Appendix A: Voluntary Certifications and Standards Applied by Participating SMEs	129
Appendix B: Research Questionnaires	137

LIST OF TABLES

	Page
Table 1: Milestones in Vietnam international trade relations.....	49
Table 2: Classification of SMEs in Vietnam. Source: VN Government Portal.....	50
Table 3: Donor-funded programs for SMEs in Vietnam.	56
Table 4: Respondent scale profile	65
Table 5: Market segment of enterprises	66
Table 6: Definition of CSR given by respondents	70
Table 7: Production standards applied by seafood and agriculture enterprises	90
Table 8: Production standards applied by apparel enterprises	90
Table 9: Sectoral and cross-sectoral initiatives that match with ISO 26000 principles...94	

LIST OF FIGURES

	Page
Figure 1. Carroll's classical CSR pyramid (1979) and Visser's CSR pyramid for developing countries (2008).	27
Figure 2. Map of Vietnam.....	42
Figure 3. IZs and EPZs by location in Vietnam.....	46
Figure 4: Foreign direct investment & percentage of GDP in Vietnam 1986-2015	48
Figure 5: Definitions of CSR given by SMEs	72
Figure 6: Ranking of reasons for CSR engagement in agricultural SMEs	75
Figure 7: Ranking of reasons for CSR engagement in seafood SMEs	76
Figure 8: Ranking of reasons for CSR engagement in apparel SMEs	77
Figure 9: Drivers for CSR application	81
Figure 10: CSR benefits perceived by SMEs	82
Figure 11: CSR activities implemented by SMEs	84

LIST OF ACRONYMS

ASC	Aquaculture Stewardship Council
ASTM	American Society for Testing and Materials
BRC	British Retail Consortium
BSCI	Business Social Compliance Initiative
COC	Code of Conduct
CSA	Canadian Standards Association
EPZ	Export Processing Zone
FDI	Foreign Direct Investment
GlobalGAP	Global Good Agricultural Practice
HACCP	Hazard Analysis and Critical Control Points
IFS	International Food Standard
ISO	International Standardization Organization
IZ	Industrial Zone
OCS	Organic Content Standard
SMEs	Small and medium scale enterprises
UNDP	United Nations Development Program
VietGAP	Vietnam Good Agricultural Practice
WWF	World Wildlife Fund for Nature

CHAPTER 1: INTRODUCTION

1.1 Corporate social responsibilities in Vietnam

Corporate Social Responsibility (CSR) is known in the Vietnamese context where, in consequence of historical, political and social values and public ownership traditions, corporation's social responsibility is somewhat perceived in a negative connotation in the society (Bekifi, 2006). The perceptions of CSR among the public remains ambiguous, and it is mainly associated with public relation activities or is interpreted as voluntary "green" initiatives by business organizations. The concepts of CSR are brought to the business community in the country through implementation of Code of Conducts by large Multinational Corporations (MNCs) such as KPMG, Sony Ericson, P&G Corp., Unilever Corp., Honda Co., Ltd., and through donor-funded projects implemented by foreign agencies and NGOs such as UNIDO, OXFAM, Danida, Sida, etc. (Bekifi, 2006; Tencati, 2008; Hamm, 2012). These initiatives are rooted from customer-driven obligations to meet customers' demands at the end of the supply chain and sometimes are bound by government's requirements as a remediation against accidents.

There are wide variations in understanding of CSR in the business community in Vietnam. On the one hand, CSR is understood as the legal practices of worker rights and safety that enterprises were bound by the government's regulations when the country entered the international markets in the first decades of market orientation in the 1990s (Wang, 2005). The labor codes and social accountability practices were first adopted by the forerunners of export-oriented sectors such as textiles, electronics, and footwear industries (VCCI, 2010). On the other hand, CSR is perceived, from viewpoints of both

producers and consumers, as philanthropic initiatives in the manners of humanitarian and charities and for the sake of company's reputation. This is also called "brand protection", that are carried out at company's discretions (Bui T.L.H, 2010; Bilowol & Doan, 2015; Hoang C.L., 2015). In fact, some enterprises have used CSR as a tool to polish their public images and reputation through philanthropic activities. Recently, CSR awareness has received more attentions from the Vietnamese business community after the environmental and human rights violations of foreign companies. For example, Vedan, a Taiwanese food manufacturer was accused in 2008 of illegally dumping waste into Thi Vai River for approximately 14 years (Nguyen & Pham, 2011), and San Miguel Pure Foods, an animal feed manufacturer that was pled guilty for discharging over 230,000 cubic meter of wastewater into Thi Tinh River, a tributary of Saigon River (CSR Asia, 2009). Such notorious incidents have drawn the concerns about environmental responsibility as a part of corporation's social responsibility in Vietnam.

The Vietnamese government has gone through various policy processes that enforce the social and environment liabilities of those enterprises. However, there is a challenge that the policies are not well translated into practice due to multiple obstacles. Firstly, there is a disparity in perceptions and implementations of CSR in Vietnam that is caused by limited resources of enterprises, especially Small and Medium Scale Enterprises (SMEs) in the country (Twose & Rao, 2003; Tencati, 2008). Companies find it hard to achieve business viability to implement CSR initiatives, as there is a lack of investment capital in a holistic social responsibility mechanism. Similarly, in a baseline survey in 2010, Vietnam Chamber of Commerce and Industry (VCCI) found that there was a

difference between the awareness of CSR and its implementation among companies. Although the survey results showed a high number of business managers (about 53% of the respondents having an average score and 28.3% of respondents having high scores) showed a good understanding of CSR concepts, yet the integration of CSR into company's operational system was limited. Large-sized companies responded that they were constrained by the financial and technical capacity to translate the concepts into approaches and practices. Instead, companies adopt standardizations that are required by customers via their headquarters' policies. The standardizations are often under forms of certifications to allow them to enter targeted markets in developed countries.

Secondly, the instability and seasonal nature of some businesses are significant barriers to CSR implementation amongst business entities in Vietnam (Bekifi, 2006). In some exporting industries, such as clothing, footwear, and seafood, the exporting markets are seasonal and unstable regarding prices and quantities; therefore, the manufacturers in Vietnam, which are mostly subcontractors of large MNCs, found insecure for their business viability (Bekifi, 2006; VASEP, n.d). Such business environment conditions have impeded CSR uptake in these sectors, especially among SMEs in the country.

The third factor that poses constraints for CSR adoption in Vietnam is the confusion of CSR implications amongst business organizations. Twose and Rao (2003) found in their study that the confusion of the term CSR is particularly found high in SMEs. The biggest problem is the differences between the laws of labor and CoCs that result in misunderstanding at the firm level. CSR is understood as a transmission of standards in the supply chain where multinational corporations require their suppliers to implement CoC to

meet the market requirements (Hamm, 2012). As the Vietnam economy is export-orientated, most of the enterprises are small and medium-scaled manufacturers that are dictated by multinational corporations in their supply chains. At the first level of the production line, manufacturers must manage to implement CSR while facing with challenges of limited resources and capacity (Hoang & Nguyen, 2014; Hoang C.L., 2015). The lack of strategic understanding about the long-term benefits of CSR adoption often shows that managers view CSR as a burden for their operational system in a highly competitive environment where business resources are highly optimized for profit-making purposes (Befiki, 2006). Again, the motivations for implementation of CSR agenda amongst domestic SMEs are mere to conform the requirements of the target markets that are controlled by the MNCs (Hamm, 2012; Bilowol & Doan, 2015; Tran & Jeppesen, 2016). Consequently, the practices of CSR in the country are still relatively passive and at enterprises' discretions (Vietnam Institute of Labor Science and Social Affairs, 2011). Finally, a factor that has impeded the practices of CSR in Vietnam is little pressure on domestic consumers, which is caused by low awareness about CSR implications. In fact, in the last few years, the societal and environmental issues have been raised amongst the public after continuous scandals, such as polluted rivers, toxic chemicals found in food products, etc. caused by manufacturers in the country. However, Vietnamese consumers seem to response passively to protect themselves against the irresponsibility of enterprises (Bui T.L.H, 2010). They appear to be victims of serious consequences and do not have enough power to lead to social change in consuming qualified products. Besides the fact that low income does affect their consumption behaviors, lack of knowledge about CSR

has hindered Vietnamese consumers from influencing enterprises towards business ethics and responsible behaviors (Tencati, 2008; Bui T.L.H, 2010).

Although there have been several empirical kinds of research about CSR perceptions in Vietnam, many of them were focused on the large-scales forerunners of export-oriented sectors such as footwear, electronics, and textiles. Little research has been found to investigate perceptions of CSR in excessive natural resources areas such as seafood and agriculture, and intensive labors sector such as small-scale apparel firms.

Taking into consideration of the results of CSR perceptions among the business community in Vietnam throughout existing researches, I supposed that the CSR perceptions have been low in the country, particularly in local SMEs community. Based on the CSR pyramid for developing countries of Viser (2008), I assumed that economic and legal responsibilities would be major drivers for SMEs in Vietnam to adopt CSR approach in their business behaviors. Consequently, social responsibility practices that small- and medium-sized companies would focus on are legally bound practices that are required by the Vietnamese government and customers in the supply chain.

This hypothesis has motivated me to investigate further in the relationships between how SMEs perceive CSR implications and what activities that they have relatedly implemented. Three natural resource-intensive and labor-intensive business sectors including agriculture, seafood, and apparel in the Southern provinces of Vietnam including Hochiminh city were selected to participate in this study. The study report is structured in order of introduction, literature review, contextual issues of the research, results, discussion, and conclusions and recommendations.

1.2 Purposes of the study

The research intends to capture perception of Corporate Social Responsibility and its practices of small- and medium-scaled enterprises in three industry sectors in the South of Vietnam. I first explored the perceptions of CSR and the benefits that it brought to three industry sectors in the region. After that, my research sought to reveal the CSR drivers and activities to assess the interrelationships between the perceptions and activities of CSR amongst these three sectors. Primary objectives were:

- To identify perceptions of CSR, CSR determinants, and CSR activities of SMEs in Vietnam;
- To identify possible motivations and barriers of business sectors for incorporating environmental and social responsibility in their business practices.

1.3 Research questions

The above literature review has brought a range of perspectives about CSR, as well as categorized different drivers that lead the industries sector to CSR engagement. It can be presumed that depending on the understanding of CSR and business priorities, companies may identify different incentives to put CSR practices in place. It can also be presumed that the perceptions of CSR among SMEs in Vietnam are limited to compliance of national legitimacy in terms of labor rights, health & safety, and requirements of customers in the supply. This research is aimed to address the following question:

- (1) How is CSR perceived by SMEs in VN?
- (2) What drives the SMEs to engage in CSR activities?

(3) What are the types of CSR activities that SMEs involve in?

1.4 Significance of the study

Given the lack of research on CSR application among small-and medium-scaled enterprises in the country, this study is expected to provide a preliminary look at how these enterprises perceived CSR implications and practices. As understandings and practices of CSR are different in social economic and political contexts, the findings from this research will offer other researchers with knowledge of factors that influence these perceptions and practices in Vietnam as a developing country. It can also explore motivations and constraints of enterprises for CSR implementation in Vietnam at different business types and scales. In addition, this research would be used as a baseline study for further researches and/or projects that provide sufficient assistances to address the issues of what could be done beyond the existing conventional perceptions of CSR in developing countries. In the same vein, the research looks at the legal barriers that enterprises are encountering in the absence of government policies in economic activities. Therefore, further recommendations for CSR policies could be put into public agenda.

The research report will be sent to managers of enterprises who participated in interviews. They can utilize the information and CSR framework mentioned in the report for reference in their CSR planning. The researcher also is targeted at non-profit organizations that are working in the related field for further discussion.

1.5 Limitations of the study

The study aims at exploring the perceptions and readiness for CSR implications in agriculture and manufacturing industry in Vietnam as a developing country. The researcher

is familiar with the political, socio-economic and cultural context of the locality, which is critical to the research. However, the researcher has seen limitations of the study that could be possibly influential to the results. The first limitation comes from geographical constraints where the research was conducted in the South of Vietnam only. It may lead to a narrow understanding of the target population that affects the external validity of the research. The second limitation is the small sample size, particularly for apparel sector in which not many enterprises showed a willingness to participate in the research. In addition, the researcher had a time constraint for interviews of SMEs in vast areas of 8 provinces and two big cities in 2 months. Therefore, it was difficult for the researcher to reach for a larger sample size.

CHAPTER 2. THEORETICAL FRAMEWORK

2.1 Definitions of CSR

The concept of Corporate Social Responsibility (CSR) rooted many decades ago with different viewpoints and definitions, and it has been reflected in pieces of evidence of companies' social impact for centuries. From the early time of its formation in the 1930s, the concept of CSR has interpreted with various definitions and connotations. The term CSR has many variations such as “corporate social performance” (Sethi, 1975), “corporate citizenship” (Whitehouse, 2003), and “corporate sustainability” (Marreviyk, 2003). Amongst those variations of CSR concepts, Carroll (1979) provides a clear of expansion of CSR concept by classifying it as “economic responsibilities, legal responsibilities, ethical responsibilities, and philanthropic responsibilities” that receive various level of priority in a business operational system. Economic responsibilities thereby refer to the first and foremost responsibilities that any business organization should bear as a unit in the society; that is, it must sustain itself by making profits and contributing to the economic development of the society. Similarly, legal responsibilities refer to a “social contract” that required a business organization to fulfill under the governmental legitimacy. On the contrary, ethical responsibilities are necessary business behaviors that aren't required by law, but are expected by the society such as safe products and good quality services that companies should provide. Lastly, philanthropic responsibilities are completely discretionary responsibilities of the business to engage in social roles that aren't required by law or expected in an ethical sense. These behaviors include philanthropic contributions to the community such as social welfare funds or charity programs (Carroll, 1979).

Given Carroll's expansions about CSR definitions, there are various perceptions about CSR connotations among academics. In classical viewpoints, CSR is associated with business entity's responsibilities for its sole shareholders in its own operational system (Berla, cited in Cochran, 2007). It is also interpreted that companies do not have to bear any other social responsibilities than increasing their profits and complying with the government's regulations (Freidman 1970). Meanwhile, other academic viewpoints argued that business organizations should have a wider responsibility to society than their shareholders and governmental regulations (E. Merrick Dodd, cited in Cochran, 2007, p.449). A company should not only bear profit-making responsibilities to their shareholders per se, but it is also obliged to societal expectations because "it is of service to the community rather than it is a source of profit to its owners" (Merrick E. 1932, cited in Cochran, 2007, p.449). Thus, CSR activities mean business's commitment to obligations that go beyond profit-making, including interests of the social, cultural, and environmental spheres in which businesses operates (Idemudia, 2011; Dobers et al, 2009). In this vein, approaches of a company on its business responsibilities go beyond its own economic interests, but also "to the protection and enhancement of public wealth" (Davis K, 1960).

Although CSR doesn't have either a homogeneous definition or a standardized metric for measurement, it has been perceived in common meanings to include legal responsibility or liability, ethical implications, social responsibilities that go beyond a company's self-interests. Depending on an organization's self-interests and societal contexts that each organization would identify CSR implications that most fits their operational system.

2.2 Drivers of CSR

The approaches of social responsibilities amongst business organizations very much depend on how they perceive CSR's implications, and consequently, motivations for integrating social responsibilities are driven in various directions. Sethi (1975) indicates that there are two dimensions of organizational behaviors: social responsibilities that associate to prescriptive activities, and social responsivenesses that associate with anticipatory and preventive activities. In that event, motivations of corporation's social responsibilities are formed by an alternative of regulation, social pressure (license, reputation, governmental regulation), and behavioral process (corporation's value and reputation) (Levis, 2006). More explicitly, Carroll (1979) forms the implications of CSR into four categories: "economic responsibility, legal responsibility, ethical responsibility, and philanthropic responsibility" as primary drivers of CSR. As mentioned earlier, these drivers of social responsibilities are ranked in different order of importance depending on corporation's interests and societal contexts that lead them to prescriptive or preventive responses to social issues. Meanwhile, the World Council for Sustainable Development (1998) indicates that CSR is an ongoing allegiance of the industry sector specifically just for the sake of economic development and improvement of labor and community's well-being. It means that the economic social development goals are major factors that drive companies to respond to social responsibilities. Likewise, as indicated by The EU Green Paper (2001), CSR is perceived and practiced as the corporation's accountability for its own stakeholders, contribution to the economic development, and improvement of its employees and community's life standard. Also, apart from stakeholders' pressures,

demands of trading partners and customers are said as a powerful incentive that leads companies to take CSR into account (Gouldson, 2006). These findings illustrate that the scope of corporate responsibility drivers can go beyond the corporation's immediate financial gains and thus include multiple benefits of stakeholders, employees, and external agents. In some societal contexts, CSR may encompass a wide range of policies that reflect the companies' relationship with external factors such as local authorities and communities. According to Coelho et al. (2011), an important incentive for a business organization to engage social responsibilities is to maintain relationships with the community where their business is located. Similarly, Epstein (2014) speculates that the corporation's sustainability strategies are driven by both internal factors such as corporate culture, competitive position, productivity, sustainable performance, and external factors such as regulations, market pressures, and geographic locations. Empirical studies have shown that some large corporations exhibit an eminent responsiveness to social issues by their high business's responsibility performance that are driven by divergent CSR dimensions such as high environmental standards, fair compensation to employees, and significant contribution to the community development (Halme et al., 2009).

In general, CSR practices amongst business community are driven by different factors given various understandings of the concepts, as "a game often played under contrasting perceptions" (Powers Q.C, 2012). It constructs business's approaches towards social responsibility from a wide range of factors such as internal liability with shareholders and partners, external relationships to the government, and responsive contribution to the community. Depending on specific business's priority, companies may have different

interpretations of the concept and identify their motivations to establish their business operational mechanisms and practices of social responsibilities.

2.3 CSR in developing countries

2.3.1 Concepts and drivers of CSR in developing countries

Generally, the differences between CSR engagement in developed countries and developing are underlined by the social, economic, and political contexts where companies are operating. CSR in the context of developing countries has a broad range of motivation dynamics. The CSR perceptions and practices in developing countries are diversified by the country's social, cultural, and institutional contexts (Dobber & Halme, 2009). For example, corporates in Asian countries tend to count on cultural & political issues and guiding principles to form their social responsibility practices whilst corporates in Western countries tend to develop their social responsibility strategies based on stakeholders' interests towards economic goals (Baughn et al., 2007). Another example is that the philanthropic view of CSR, which is found low in North America, is high in Asia where there is a great appearance of philanthropic expectations that drive the social responsiveness of the business community in Asian countries (Welford, 2005). Likewise, in Africa, where there is a high rate of poverty and social conflicts, common manifestations of CSR frequently found in African firms are philanthropic initiatives that involve in socio-economic development activities and such as poverty alleviation, educational, health, and environmental assistance programs (GTZ, 2009). Similarly, in Latin America, the philanthropic responsibility, such as poverty alleviation initiatives, is one of the primary drivers of social responsibility activities that companies are required to engage in business

activities as a contribution to socio-economic development in these countries (Hoffman, 2005, Casanova & Dumas, 2009). Meanwhile, ethical responsibilities such as safe and high quality goods and services, and customer's health are not highly focused by business entities in developing countries. Noticeably, environmental responsibility, an emerging concern about business responsibility towards sustainable development seems to be beyond the interests of companies in developing countries. However, in recent 20 years, environmental concerns have been noticed by several multinationals in their supply chains after environmental crisis arises in Latin American and other developing countries (Casanova & Dumas, 2009).

Some drivers important in developed economies are found to be less significant in emerging economies where institutional capacity is still weak, and thus, the legal enforcement is still limited (Fox, 2004). In Carroll's pyramid model (as in Figure 1), CSR practices are built on four levels of responsibility: economic, legal, and ethical, and philanthropic responsibilities (Carroll, 1979). The author argues that financial liability is the foremost typical driver that makes companies pay more attention to their socially responsible behaviors; then, the philanthropic initiatives are secondary. The legal and ethical liabilities are lower priorities than economic responsibilities of paying tax, creating jobs, and community funding project. However, that classic concept remains Western-based which may not applicable in different social and political regimes of the various countries. Particularly, most CSR research and theory are developed in the US-based context, and originated from developed countries in North America, Europe, and Australia (Jamali & Mirshak, 2007). Very little research based on the rest of the world in developing

countries explains that the Western-based phenomenon of CSR are unfamiliar and thus less applicable in low-income economies (Moon, 2005). Findings from Halme's research (2009) show that American companies implement their CSR policies through targeting profit-making goals and lately through philanthropy initiatives by giving opportunities to disadvantaged groups to promote a market democracy. European companies focus more on social and environmental dimensions as their regular business performance (Halme et al., 2009). However, philanthropy is found prevalent among drivers that engage CSR in low-income countries (Welford, 2005; Hoffman, 2005; Casanova & Dumas, 2009; Lindgreen, 2009).

For CSR evolution in developing countries, Visser (2008) finds a shift in significance and priority of the CSR drivers suggested by Carroll's model (1979). Visser argues that in developing countries, perceptions and practices of CSR are formed firstly by economic responsibilities, which is similar to other developed economic societies. However, there is a shift between philanthropic responsibilities, which are found least important in developed countries but more important in developing countries. Similarly, legal responsibilities are at the second importance in developed economies but at the third importance in developing economies. Lastly, Visser asserts that ethical responsibilities, which have not been highly required by the society, are seen least powerful driver for CSR activities in developing countries. The opposing dynamics of CSR drivers between the societies have led to ideas that CSR approaches in developing countries should be built in consideration of societal needs, expectations, and realities in order to create appropriate and effective social responsibility practices in business organizations (Fox, 2004;

Idemudia, 2011). The authors also suggest that the CSR in developing countries should move beyond the philanthropic responsibilities towards legal and ethical responsibilities in the pursuit of sustainable development agenda (Fox, 2004; Visser, 2008; Idemudia, 2011).

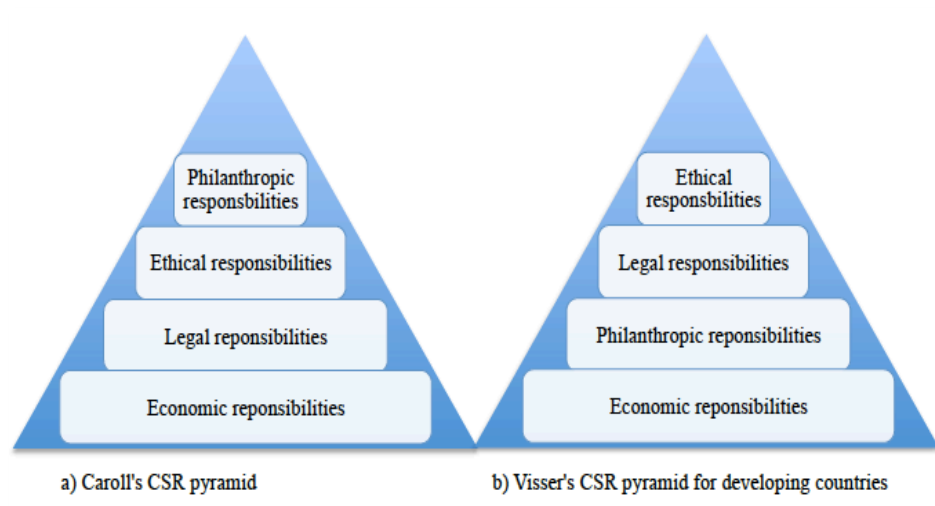


Figure 1. Carroll's classical CSR pyramid (1979) and Visser's CSR pyramid for developing countries (2008).

2.3.2 CSR challenges in developing countries

CSR practices in developing countries have revealed some challenges for developing countries. The first, institutional capacity at the country level where companies are operating is one challenge of CSR implementation in developing countries. The institutions and appeals systems, which offset CSR to achieve sound social responsibility for enterprises in the Europe and North America, are weak in developing countries (Kemp, 2001). For example, around 12 oil companies in Nigeria failed to implement CSR because there was not sufficient macroeconomic planning and management of the government (Ite,

2004). Similarly, in Bangladesh, the disclosure of CSR performance is limited because of few socio-economic and regulatory standards (Belal, 2001).

At the company level, the constraints of ownership structure, shareholding mechanism, and group size also de-incentivize CSR disclosure (Tsamenyi, Enniful-Adu, & Onumah, 2007). Notably, the environmental aspect of CSR is passive in practices under circumstances of a weak regulatory framework (Steger, 2000). In a different social and cultural context of Asia, although it is various by countries, CSR is exercised on the voluntary basis, or in conformation to the company headquarters' policies. At local businesses level, CSR is present at the managerial discretion; while for international companies, CSR is exercised based on the guidance of their headquarters in developed countries (Jamali & Mirshak, 2007). However, although there is a strong regulatory environment in place, the lack of strict enforcement leads to lower level of compliance (Fox, 2004). Visser (2008) argues that government regulations play an influential role in CSR practices in developing countries such as setting the rule of law, directing socio-economic responsibilities and environmental obligations. This argument is found supported increasingly as more companies from developing countries are required to comply with both domestic and international market requirements, including various forms of sustainability performance reporting and CSR code compliance (Visser, 2005a).

In addition, the internal bureaucratic system is found to be a dominant challenge to the implementation of CSR developing countries. The perceptions of CSR are built on and beyond economic and legal requirements in some robust institutional environments in developed countries; however, it usually is not applied in weak institutional environments

such as corruption or inconsistent bureaucracy in less developed countries (Jamali & Mirshak, 2007). In some middle-income countries in Africa that have progressive socio-political policies, CSR is associated with economic responsibilities of the business. The implementation of CSR is limited to serving political-economic-oriented goals whilst other aspects of social responsibilities such as ethical and environmental issues are neglected. Likewise, in low-income countries that face challenges of epidemic diseases, extreme poverty, and fragile institutional capacity such as unrest political conflicts, CSR activities are found erratic and often driven by philanthropic pro-poor programs such as free medicines and free food at the company's discretions in response to the immediate needs of socio-economic concerns (Lindgreen, 2009). Meanwhile, philanthropy is less effective in terms of societal outcomes, foremost because philanthropic activities are generally often incidental and sporadic that are not integrated into company's operational systems (Halme et al., 2009). Similarly, environmental responsibility, which is a recent built-in social responsibility, is also seen challenges in developing countries where there is a weak legislative system that restrains the environmental liability of the companies. Toudolou (2009) contends that environmentally responsible practices are exercised only in response to pressure from civil society actors when there is a presence of crisis such as labor rights violation or pollution outbreaks. The author explains that companies working in the absence of a regulatory framework or social stress are found having a low level of environmental responsibility in their operational system. Thus, in general, countries that have weak bureaucratic system and CSR activities that are driven by only sporadic CSR

initiatives will find challenges in terms of developing a sound social responsibility approach to contribute to sustainable social development (Fox, 2004; Idemudia, 2011).

Another challenge for CSR implementation in developing countries is the high requirements of resources, particularly high financial and technical inputs that companies are unable to adapt. Many businesses in developing countries are at the small and medium size (SMEs), which are categorized depending on the size and total capital (For example, under US\$4.3 billion of total capital and under 300 employees as in Vietnam). They often lack expertise and capital to pursue a full CSR protocol. The implementation of CSR also requires companies to restructure their human resources and skills to follow; therefore, it generates more cost than the return (Massoud, 2010). Fox (2004) argues that the mainstream of social responsibility agenda can restraint the competitiveness of SMEs in developing countries. The author emphasizes that the tools and standards such as code of conducts, production certifications and audits can exclude domestic companies from valuable markets as they fail to adopt these standards because of the lack of capital and technological resources (Fox, 2004; Ward, 2004). Apparently, an adequate CSR system include management, monitoring, record, and audit are often too costly for SMEs to implement. In line with these arguments, Idemudia (2011) sees an imbalance in the power relationship between MNCs in the global North, or developed countries, and SMEs in the global South, or developing countries. SMEs in the South are often inferior in power against the MNCs demands because they are depending on the MNCs network of providing trade markets, jobs, and profits. Companies in the South that are seeking for a trade partnership with multinational corporations will only attempt to follow standards of the

target markets (Prakas & Potoski, 2006). As it is too costly for rigid adoption of standardizations, many of them are found gaming the CSR reports, and such behaviors lead the public faith to erosion (O'Rourke 2004). Especially, it is challenging for SMEs in the South to mainstream "on-size-fit-all" approach of MNCs' CSR agenda, and consequently, the SMEs even becomes less advantageous in any trade deals with large MNCs (Fox, 2004). Thus, the CSR agenda amongst SMEs in developing countries become more challenging.

CSR implementation has emerged in developing countries as a trend of the responsible performance of multinational corporations when they expand their investment into new markets. The implementation of CSR activities is already grounded from the notions of being responsible, or sustainable that is rooted from CSR theories in developed countries that have strong institutional environments and regulations are somewhat respected. The unclear metric of CSR performance regularly results in a little response in developing countries where companies find CSR performance indicators being less relevant (Welford, 2005). Therefore, it is challenging to apply CSR in the context of developing countries, and is less expected to contribute to sustainable development as a result (Frynas, 2005; Fox, 2004; Kemp, 2001).

2.4 The emergence of environmental responsibilities

Many researches have demonstrated that there are signs of an increasing awareness of the importance of being socially and environmentally responsible among business sectors recently (Clarkson et al., 2008). In the past, companies tended to optimize their productivity via inefficient use of natural resources, and ignorantly generated negative

social costs that outweigh their private costs. When unintended environmental crises occur, companies are often passive in resolving the problem due to lack of experiences and expertise under such circumstances (Porter & Linde, 1995a). While concerns about environmental protection become an attentive issue worldwide, demands for corporate environmental responsibilities are increasing in the recent years (Erlandsson and Tillman, 2009; Jose and Lee, 2007). Environmental responsibility has emerged in company profiles due to a variety of factors such as stakeholder's interests, customer pressures, and government regulations (Iwata & Okdada, 2011). Empirical studies have shown that there is an association between the financial performance and environmental performances that give companies incentives to reduce environmental impacts (Porter & Linde, 1995b). The quality of business management is highlighted when the companies consider its long-term benefits by adopting pro-active strategies for environmental management (Porter & Linde, 1995a; Al-Tuwaijriet al, 2004). For example, an environmental management system can assist a business organization to reduce its heavy burden for production and operational costs in the long run, and therefore reduce its environmental liability when risks are mitigated (Chavan, 2005).

Generally, incentives for environmental accountability in the business sector have been triggered by both external and internal drivers. The external drivers are pressures from investors, stakeholders, customers, and governments while internal drivers are productivity, efficiency, and competitive advantage of the companies (Iwata & Okdada, 2011; Visser, 2008). At one point, as concern about environmental issues eventually becomes greater among the public; the corporations take this pressure as the primary driver

to engage CSR in their operation strategies. In addition, companies see it crucial to maintain a proper stance of local government and non-governmental organizations for their sake of operation license and competitiveness (Levis, 2006). Both the authorities and the businesses have recognized that economic development can be in harmony with environmental protection (Mazurkiewicz, 2003). Also, pressures from civil society have also played an influential role in driving these businesses to act responsibly (Rotter, 2014). Consumer pressure, code of conducts, and stewardship regimes are also playing a key role as the market impetus that brings transnational corporates towards environmental responsibilities (Neswell, 2001). For reputation gains and investment opportunities, corporates are incentivized to transit towards responsible practices (Murphy, 1999). At another point, the corporations are incentivized to incorporate environmental management into their business operation in the quest for their business efficiency (Reinhardt & Stavins, 2010; Sprinkle & Maines, 2010). The ultimate business goal is to achieve the production efficiency and therefore complement the financial performance. Therefore, the application of environmental practices could help lower the production cost, increase resource productivity, as well as trigger innovations (Porter & Linde, 1995b). In the short term, environmentally responsible practices may cause higher cost for the firms. However, they accelerate positive effects on productivity and business competency in the long run (Connelly & Limpaphayom, 2004). Therefore, the companies are expected to account not only for socio-economic development but also for environmental concerns.

The globalization progress has brought expansion of multinational corporations (MNCs) in international markets, especially in developing countries. The role of MNCs is

increasingly influential in the world economy (Whitley, 2010), including the economic sectors that involve in global supply chains. The notion of CSR has recently received popularity amongst the MNCs community, and it is triggered in economic, social, political, and environmental dimensions in both developed and developing countries at various levels (Carroll, 1999; Matten and Crane, 2005). Business organizations in more developed economies have committed to collaboration with public and private sectors for responsible businesses, acknowledging their significant role in the global economy (World Economic Forum, 2002). They have developed both self-regulation and co-regulations to mitigate environmental and social impacts of their operations (Albareda, 2008).

At the international market requirement, CSR has been institutionalized under a wide range of international standards such as SA8000, Dow Jones Sustainability Index, Global Reporting Initiative, ISO14001 since the 1990s, and recently is ISO26000 (Baskin, 2006; Halme et al., 2009; Robert, 2010; Mata-Lima, 2014). These standards and their certification schemes have become CSR instrumental codes of conduct (CoC) for companies to regulate their business operations. While SA8000 is known as a pioneering general mechanism for multinational corporations in selecting their suppliers in emerging markets (Kolk & Van Tulder, 2002), the CSR standardizations have recently been mainstreamed into sector-based initiatives such as Forest Stewardship Council in forestry, UTZ in agriculture, and the Marine Stewardship Council in the seafood, etc. These social accountability standards have one value in common that they represent formal ethics initiatives that aim at fostering ethical behavior by business entities By integrating the CSR

approaches into the business strategies and operational systems, companies are expected to drive to the final goal: sustainable development (Herciu, 2016).

2.5 CSR standardizations and certifications in supply chains

2.5.1 Environment management certification - ISO14001

Among the social responsibility standardizations, ISO14001, which was first launched in 1994 by International Standardization Organization in 1996, and its series has emerged as a well-known screening and guiding instrument for companies to improve their management system while integrating environmental responsibility (Visser, 2010). A survey by ISO shows that there were 223,149 companies ISO14001 certified worldwide (ISO, 2010). Empirical studies have shown that ISO14001 have positive impacts on management system of businesses and provide advantageous conditions that go beyond the cost reduction (Mata-Lima, 2014).

The most common effect has been found amongst business organizations that apply ISO14001 certification is that it provides companies a better competitive advantage for enterprises in both domestic and international markets. ISO14001 certification helps companies self-regulate the operation practices to improve efficiency and environmental management to gain customer's trust; therefore, they gain better investment opportunities (Morrow & Rondinelli, 2002). Studies by van der Veldt (1997) on electronic companies in the US shows that there is a high demand of customers overseas, particularly in the Europe, would deny working with companies that do not apply ISO14001. Similarly, there is a large percentage of Chinese companies saying that the primary motivation for them to adopt ISO14001 is to seek for an opportunity to enter the international market (Zenga et. al.,

2005). Another study of Norwegian companies also shows that ISO14001 certified companies have a positive image and consequently increase their market shares (Granly & Welo, 2014). Another advantage of ISO14001 application is that it also provides companies a better self-regulatory management approach that improves documentation procedures, ensure stable environmental routines (Granly & Welo, 2014), as well as increase relationships with government authorities (Zenga et. al., 2005). Specifically, ISO14001 application also provides companies a tool for effective implementation of their internal environmental management protocol such as Environmental Management System and Life-cycle Assessment (van der Veldt, 1997). The Environmental Management System (EMS), which is triggered by ISO14001 also enhances the environmental risk evaluation and integration of safety and health management and allows continuous improvement for better results (Ferenhof et al., 2014). A study by Morrow & Rondinelli (2002) shows that adoption of EMS increases the operation efficiency among German energy companies as well as improves their documentation process. Also, ISO14001 application has been found to help cost reduction for enterprises (Chavan, 2005). The minimization of waste due to operation alignment with EMS helps companies maximize their resources in production, and therefore reduce total cost in the long run (Singh & et. Al., n.d).

However, ISO14001 also reveals several limitations on implementation. Firstly, ISO14001 and its affiliated Environmental Management System challenge companies, especially smaller ones, with the implementation capacity. Many companies find that environmental issues are global problems that exceed their ability to resolve and that they lack time, resources, knowledge, and skills to afford it (Johannson, 1997). For companies

in technical industry finds difficult to comply with ISO14001 protocol because they need to renew a set of equipment, which requires significant financial inputs (Zeng et. Al, 2005). Similarly, the implementation of ISO14001 results in high cost and resource demand; therefore, benefits from ISO14001 certification are widely realized in larger companies while little return in cost is found in small and medium companies (Chavan, 2005). Therefore, smaller companies often find ISO14001 is a trade barrier for them in the international market (Zeng et. al., 2005). Secondly, ISO14001 also challenges companies as it includes a high level of bureaucracy such as documentation process and audit methodologies (Cahill & Wollard, 1997). The application process is time-consuming and requires employee buy-in as well as high expertise inputs that are constraints for small companies (Granly & Welo, 2014). Some of other challenges include a lack of suitable implementation tools that lead to resistance to change by employees and inefficient resource reallocation (Zutshi & Sohal, 2005; Salomone, 2008).

2.5.2 Social responsibility - ISO 26000

ISO26000 was launched by International Standardization Organization in 2004 to provide a guideline for organizations that want to apply social responsibility and thereby to help maximize their contribution to sustainability (ISO, 2010). ISO26000 is different from other standardization schemes that it doesn't include requirements for a management system and neither be intended for certification. It is, instead, provides guidance on subjects and principles to social responsibility and requires integration of responsible behaviors into business organizations (Hahn, 2012). Such guidance is particularly important for business community since there is still no consistent understanding of what corporate social

responsibility and sustainability encompasses. Companies that lack a strategic approach to CSR and instead follow unsystematic procedures; thus, could improve operational system following values-led standards towards sustainable development (Hahn, 2012; Schwartz & Tilling, 2013). At transnational scale, ISO26000 is expected as an ambitious global guidance standard set that includes transnational norms and principles for implementation of social responsibilities internationally through supply chains (Castka & Balzarova, 2008; Moratis, 2014). In this vein, ISO26000 can be interpreted as corporate culture and can also be rooted in national culture to meet the interests of the society at large as well as demands of stakeholders in the supply chains (Waldman et al., 2006; Hahn, 2013).

ISO 26000 covers a wide range of sustainability issues in its subjects and principles that are expected to yield benefits for business organizations such as creating value for the organizations, increasing performance results, enhancing credibility, and attracting investors (Balzarova & Castka, 2012; Herciu, 2016). The primary positive implication of ISO 26000 is that it helps revive the role of moral value in business by not explicitly include that maximizing profits is one of the major's economic responsibility of a company (Moratis, 2014). This implication is contradictory to other authors' definition about the role of CSR before that making profits is the primary business's responsibility (Freidman, 1970; Cohran, 2007). Instead, ISO 2600 emphasizes business ethics as a typical framework for driving business behavior, not economic outcomes per se that business organizations should aim at while engaging CSR activities in the first place. Another strength of ISO26000 is the potential to adapt to the context-specific nature of social responsibility amongst business organizations (Toppinen, 2015). It stimulates the contextual

interpretation of CSR rather than standardized CSR strategy formulation that is utilized as a box checking exercise as other certification schemes (Moratis, 2014). The principles and topics in ISO26000; thus, encourages businesses to fit their operational characteristics with the societal contexts in which they are embedded and allows the flexibility to adjust and adapt those societal contexts. In this scheme, the flexibility in context-based principles is considered a prominent trait of ISO26000 that could reduce the legitimacy imposition of MNCs on national regulations in developing countries where they are operating. At the same time, ISO 26000 is expectedly diffused in multinational corporations (MNCs) supply chains and organizations that aim to join operational networks to align their CSR practices to match these networks (Castka & Balzarova, 2008). In addition, ISO 26000 implications also help business organizations build up credibility and trustworthiness of CSR claims as well as strengthen visibility and transparency of CSR activities through stakeholder's engagement (Elving, 2012). The involvement of stakeholders can also enhance regular dialogues and communications of CSR to reduce the risks of greenwashing that may lead to reputational damage and skepticism from the public towards to business organizations. Thus, organizations that have applied certified standardizations such as system management (ISO14000s), or accountability principles (SA8000) can find an easy transition into stakeholder-focused organizations by applying ISO26000 (Castka & Balzarova, 2008).

Although ISO2600 is expected to enhance social responsibility amongst business organizations, it also receives a certain level of concerns for its practicability, particularly in developing countries. One of the common concerns about the adoption of ISO26000 is

the translation of its core subjects and principles into CSR practices in business organizations, especially for small- and medium-scaled enterprises (SMEs). On contrary to other authors' support for the flexibility and adaptiveness of ISO26000 approach, Schwartz and Tilling (2009) argue that the guiding approach of ISO26000 is too generic that may not fit into all organizations and societal contexts and thus it may only result in symbolic values rather than actual results. As it is considered too broad to be a useful management instrument, SMEs with limited resources and strategic management approach don't see ISO26000 approach an incentive to develop their social responsibility agenda (Perera, 2008). Particularly, SMEs in developing countries that are dependent on coercive governmental pressures will not be ready for ISO26000 diffusion without seeing immediate benefits that could balance the cost of implementation (Catska & Balzarova, 2008). In addition, Schwartz & Tilling (2009) argue that ISO26000 can only bring a national legitimacy change in working conditions in high-income, Western countries rather than in low-income, developing countries since the lengthy multi-stakeholder process cannot guarantee as an enforceable tool for social and environmental improvement in such countries. In addition, ISO26000 is not developed for certification purposes; it gives little motivations for companies that want to pursue certificates for profit goals (Hahn, 2012). SMEs in developing countries, especially those that seek for reaping benefits from certifications will not see enough incentives to develop CSR practices from ISO26000 guidance. Finally, the broad subjects and principles of ISO26000 are seen not sufficient for an in-depth development of corporate responsibility for frontrunners in environmental responsibility, as it is a sector-specific issue (Toppinen, 2015). Thus, companies who

already integrated a holistic management system with several certification schemes will not see it useful to adopt ISO26000 in their operational system.

CHAPTER 3. RESEARCH CONTEXTUAL ISSUES

3.1 Geographic and demographic overview

Vietnam is located in the Indochina Peninsula of Southeast Asia, borders China on the north, Laos and Cambodia to the west, and South China Sea to the east. It covers a total land area of 331,690 km². The capital of the country is Hanoi, which is located in the central North, while the biggest financial and economic center is Hochiminh city (formerly named Saigon), which is located in the central South. Three other tier-one cities of the country are Da Nang and Hue (in the Central), and Can Tho (in the South) that are considered important political and socio-economic centers of the country (VN Gov Portal, n.d.).



Figure 2. Map of Vietnam. Source: www.vietnam-travel-guide.net

The population of Vietnam is 91.70 million people as of 2015 (World Bank, 2015). There are 54 ethnic groups amongst which Kinh is dominated with 86% of the population (VN Gov Portal, n.d). As Vietnam is an agricultural-based economy, the population in rural area has been maintained high for years. The industrialization progress has influenced to the distribution of population as more people has migrated to cities for jobs in industry and services. In the 1980s, the rural population was above 80%; however, this proportion has dropped over years and was at 67.05% in 2013 (UNDP, 2015).

3.2 Political and socio-economic overview

The government system is constituted by three components: the Communist Party of Vietnam, the State, and the Army. The Communist Party of Vietnam (CPV), which was founded in 1930, a single-party regime that is tightly organized and hierarchical that rules over the other two components. The National Assemble is the government body that holds periodic meetings of the Congress of CPV to elect the Party Central Committee and address the significant issues such as approving State budget approval, passing Law and ordinances, making amendments of 1992 Constitutions, issuing tax measurements, etc. (VN Gov Portal, n.d.).

From 1975, after the fall of Saigon in Vietnam War (1959-1975), and under the economic embargo of the U.S., Vietnam economy merely depended on the support from Soviet bloc led by the USSR. Since the collapse of the USSR in the 1980s, Vietnam economy fell into a great crisis with the inflation peaking at 774.5% (Vietnam Government Office, 2005). The living standards were in severity. The crisis impelled the government to foster a regime shift of economy reforms. Doi moi (Reforms) policy was launched 1986

to restructure the economy toward a liberal paradigm, which redirected the economy from centrally planned to exported-oriented to enter international markets. Since the Doi moi period, there has been a transform in legitimacy system of the country. Empowerment and Decentralization have been fostered to local authorities while privatization in economic sectors has been encouraged. However, democracy and transparency are still major concerns of the country under single-party administration (Harvard Law Review, 1995). The reformed policy has lifted Vietnam economy through poverty after crises such as hyperinflation in the 1980s, Asian economic crisis in 1997-1998, and the Global financial crisis in 2008 (Vuong et al., 2011). Particularly in agriculture, the privatization of agricultural land has led Vietnam into the world's largest rice exporters and second largest coffee exporters over time. In the meantime, the Law on Foreign Investment, which was passed in 1987, was recognized the most liberal in Asia at that time that has attracted a continuous flow of foreign direct investment into the country (Bekefi, 2006). Currently, Vietnam ranks as the lower middle-income country with GDP of \$193.6 billion, and GNI per capita of \$1,900 as of 2015 (World Bank, 2015).

The United Nation Development Program (UNDP) has ranked Vietnam as a medium human development country based on a set of indicators include education, health, income, life expectancy, etc. (UNDP, 2014). In education, Vietnam has maintained a stable literacy rate above 91% over the years even in the wartime of 1970s and increases to 94% as of 2015 (WB, 2015). The national expenditure for education in the 2005-2014 period is 6.3% of GDP. Because Vietnamese government provides free primary education, the enrollment rate of lower secondary school has been maintained 100% for both sexes from

years to years. From secondary education and upper level, the government implements different types of partial scholarships and subsidies, especially in remote mountainous areas. Thus, the enrollment rate in a secondary school of both sexes has fluctuated at 94-97% over the years (WB, 2015). In healthcare, the public expenditure for the general healthcare system is 6.0% of GDP. The government has implemented free and compulsory vaccination for infants under one year old with the supports of WHO and UNICEF since 1985. The child mortality rate has been declined from 54.8% in the 1979-1983 period to 14.94% in 2014 (UNDP, 2015). Life expectancy in Vietnam is 80.5 years as of 2014 (UNDP, 2015). In employment, as Vietnam is an emerging economy, the percentage of the population being employed is rather high, at 75.9% as of 2013, in which rural sector accounts for 47.4% while services sector accounts for 31.5% of the employment rate (UNDP, 2015).

In the progress of moving towards a market economy, Vietnam has shifted the economic structure from agricultural-based to industrial-based for the export-oriented mechanism. The industrialization has triggered the urbanization in Vietnam. The booming acceleration of urbanization first happened in the capital, Hanoi, and then expanded to coastal cities such as Hochiminh and Da Nang since the 1990s. These first-tier cities have the advantage of seaports that can be connected easily to other economic hubs in eastern Asian countries such as Japan, South Korea, China, and Singapore (VIR, 2014). The advantage of the marine line has favorably supported the imports and exports of merchandises. The growing industrialization has then paved the way for the urbanization to expand to other surrounding provinces such as Hai Phong, Quang Ninh, Thanh Hoa,

Thai Nguyen in the North, and Dong Nai, Binh Duong, Can Tho, and Long An in the South (VN General Statistic Office, 2015). In this consequence, Industrial Zones (IZs) and Export Processing Zones (EPZs) have been established to keep pace with the exporting rate and millions of employment opportunities have been brought to people in almost every province. Up to 2014, there are around 327 IZs and EPZs in 45 cities and provinces of Vietnam.

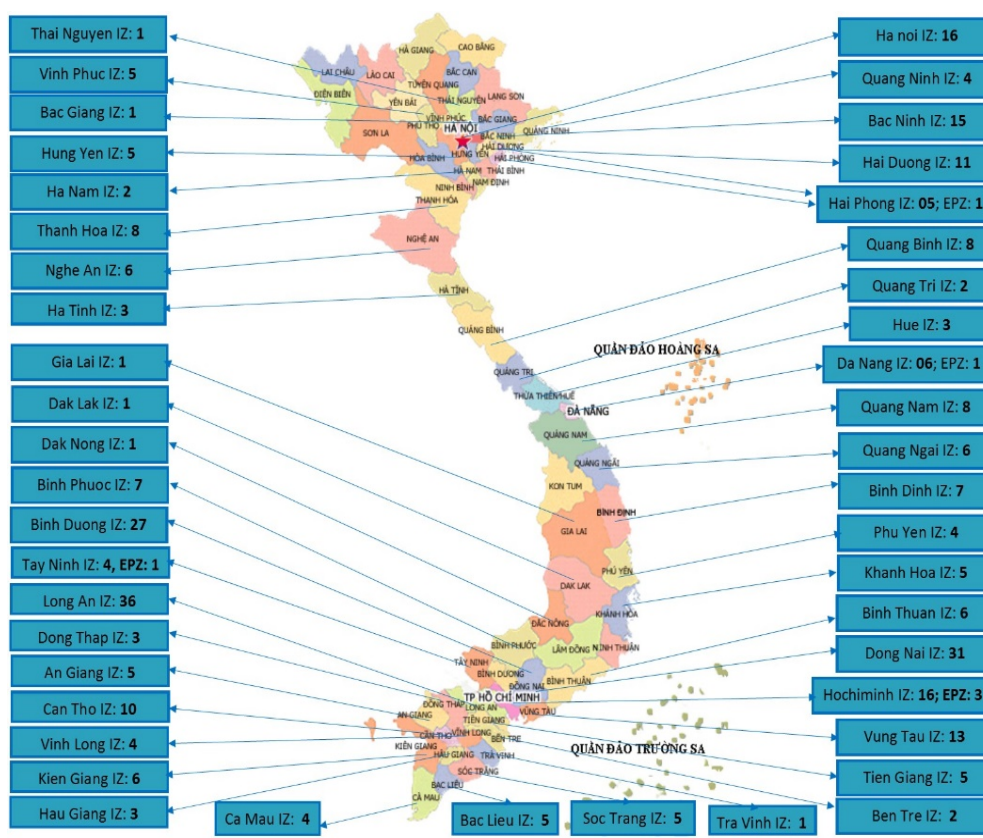


Figure 3. IZs and EPZs by location in Vietnam. Source: Vietnam Industrial Park and Investment Information Consulting Portal.
(vanban.chinhphu.vn/portal)

3.3 Law on foreign investment and foreign direct investment inflow

The Law on Foreign Investment (FIL), which was issued in 1987 and amended in later years of 1990, 1992, 2000, and 2005, has accelerated increasing inflows of investment projects. The FIL allows foreign investors to establish their business in Vietnam under three forms: business cooperation contract, joint-venture contract (equity and non-equity), and one hundred percent foreign owned capital contract. All types of this business shall not exceed 50 years of contract but are subject to renewal after that (VN Gov Portal, n.d.). FIL and its amendments have been considered a significant reform of the government towards Foreign Direct Investment (FDI). The law does not require foreign investors to priority purchase domestic goods or services. The law guarantees foreign investors from expropriation and capital nationalization. Also, numbers of days for starting a business, exporting, and importing are higher to compare with those indicators that they get in other countries (Brown, 2002). There is flexibility in decision making progress for foreign investors, and investors can decide their forms of investments and reorganization of their structures (Harvard Law Review, 1995; Brown, 2002;).

The FIL has fostered a high inflow of FDI throughout foreign investors to the country. Since 1986 FDI was an important contributor to the country economy as it counted for a significant part of GDP of Vietnam. For example, in 1995, the FDI inflows reached its highest contribution to the GDP at 9% (Figure 4). The infiltration of FDI has come along with booming investments of MNCs into the country and contributed to a great portion of export. In the recent years, although the country's economy has boosted by domestic businesses and less relied on foreign investors, FDI has remained a high portion of GDP

of the country. Up to the present, the cumulative capital of FDI in Vietnam is US\$11.86 billion, accounting for 6% of the GDP as of 2015 (World Bank, 2015). FDI are managed by the Ministry of Planning and Investment (MPI) and located throughout the country in Vietnam however concentrated in some major industrial centers such as Hanoi (almost 20%) and Hochiminh city (around 30%) (Foreign Investment Agency, 2013).

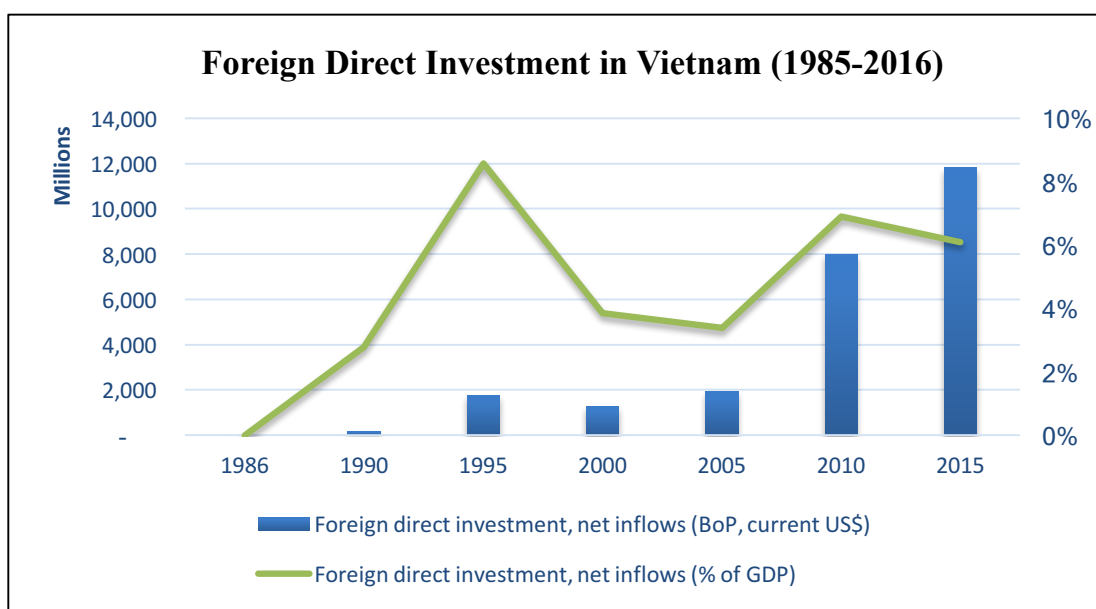


Figure 4. Foreign direct investment & percentage of GDP in Vietnam 1986-2015. Source:

World Bank.

In addition to FDI, Vietnam has joined several prominent economic organizations and trade deals as well as received continuous official assistance from foreign governments and international agencies since the Doi moi inauguration. Along with the primary driving policies, Vietnam has also actively adopted multilateral relationships with foreign

countries and international organizations. The table below gives important milestones in the development process of Vietnam in three recent decades (Vietnam MPI). Under World Bank's assistance programs, until 2013, Vietnam has implemented 223 projects with cumulative loans and grants up to US\$21 billion (World Bank, 2014). Most of the projects are focused on central and sub-central government administration, health, sanitation, agriculture, forestry, fishing, education, finance, and banking. Asian Development Bank (ADB) also plays a significant role in Vietnam's development process. From 1998 to 2014, ADB has financed US\$16.5 billion in forms of loans, grants and technical supports for 366 development projects in Vietnam (ADB, 2014).

Table 1. Milestones in Vietnam international trade relations. Source: Vietnam Government Portal.

Year	Key Economic Event
1986	Implementation of <i>Doi moi (Renovation)</i> policy
1987	Issuance of Law on Foreign Investment
1990	Establishment of Export Processing Zone (EPZ)
1992	Implementation of preferential trade agreement with European Union (EU)
1995	Joining Association of Southeast Asian Nations (ASEAN) Signing the diplomatic normalization with the US
1998	Asia Pacific Economic Co-operation (APEC)
2001	Signing Vietnam-US Bilateral Trade Agreement
2002	Signing ASEAN-China Free Trade Agreement
2003	Signing ASEAN-Japan Comprehensive Economic Partnership
2005	Amendment of Law on Commerce and Trade
2007	Accession to WTO

3.4 Small- and medium-scale enterprises in Vietnam

With continuous uplift of the policy reforms and growing economy, small and medium-sized enterprises (SMEs) in Vietnam has been rising, particularly since the promulgation of Enterprise Law in 2000 (General Statistic Office). In 2009, the Government of Vietnam issued the Decree 56/2009/ND-CP dated 06/30/2009 defining the SMEs as “independent business entities”, which are divided into three major economic sectors, which are agriculture, forestry, and fishery; industry and construction; and trade and services, based on levels of total capital and/or number of employees per year. The criteria of classification as follows:

Table 2. Classification of SMEs in Vietnam. Source: Vietnam Government Portal.

Sector	Micro enterprises	Small-sized enterprises		Medium-sized enterprises	
	<i>Number of laborers</i>	<i>Total capital</i>	<i>Number of laborers</i>	<i>Total capital</i>	<i>Number of laborers</i>
I. Agriculture, forestry and fishery	10 persons or fewer	VND 20 billion or less	Between over 10 persons and 200 persons	Between over VND 20 billion and VND 100 billion	Between over 200 persons and 300 persons
II. Industry and construction	10 persons or fewer	VND 20 billion or less	Between over 10 persons and 200 persons	Between over VND 20 billion and VND 100 billion	Between over 200 persons and 300 persons
III. Trade and service	10 persons or fewer	VND 10 billion or less	Between over 10 persons and 50 persons	Between over VND 10 billion and VND 50 billion	Between over 50 persons and 100 persons

SMEs accounts for an overwhelming proportion of enterprises in Vietnam, filling up to 97% with 316,941 SMEs as of 2011. Amongst the business sector, trade services occupy a greater portion of SMEs, accounting for 68.3%, while industries and construction are accounting for 30.5%, and agriculture and fisheries fill up to only 1.01% respectively (GSO, 2011). SMEs have played a vital role in jobs creation and poverty alleviation, and narrowing the economic gaps amongst urban and rural areas in the country (Tran, T. C. et al., 2008). They have contributed to 47% of the country GDP, and 96.6% of the workforce (GSO, 2011). Also, SMEs has been considered “stepping stone” for a smooth transition from a central economy to a market-oriented on in the country because they are so flexible and dynamic in activities that they can change products quickly in response to market requirements and conditions (Bekifi, 2006). SMEs can also contribute to regional development, as they are located in various places in the country including rural areas (GSO, 2011). In Vietnam, SMEs have been approximately 80% of small and medium producers subcontractors of foreign companies, many of which are garment and footwear, and recently are seafood and agricultural products (Bekifi, 2006). These manufacturers have been established and integrated into supply chains to seek for job and profit opportunities to enter international markets since the launching of FIL. In the new SMEs development plan of 2011-2015, the Vietnamese government issues the Decision 1231/QD-CP that aims to increase the participation of SMEs in exporting sectors such as garment, seafood, and the newly emerging agro-processing by prioritizing policies such as skill development, institutional development, and business links to support these industries (VN Gov Portal, 2012).

Garment and footwear, or apparel, is the frontrunner of SMEs in Vietnam, particularly in exporting industry. Typical products of this sector are jackets, T-shirts, dresses, trousers, shoes, and clothing accessories. A majority of apparel factories are concentrated in the South of Vietnam, fill up to 57% number of apparel SMEs, where there are clusters of IZs and EPZs such as Ho Chi Minh City, Long An, Dong Nai, and Binh Duong (VCCI, 2016). According to VCCI (2016), Vietnam apparel SMEs, which are contractors or subcontractors of large MNCs from the US and EU, still have disadvantages regarding marketing and distribution. Up to present, they are still participating in the labor-intensive production line such as cutting and sewing that does not require a high investment in technology and capital but has the lowest rate of returns (Bui, V.T., 2014). The standard methods of outsourcing orders are CMT (cut-make-trim), which is "buying raw materials, selling products," and FOB (free on board), which relieves the responsibility of producers once products are shipped. Thus, the apparel sector of Vietnam does not have many products under their brands to enter an international market that can connect to the end-users, but instead, they heavily depend on orders from MNCs and small traders in the region (VCCI, 2016).

Seafood, particularly aquaculture-processing products, is an emerging agricultural industry in Vietnam that has a significant contribution to the country's economic growth in recent decades. Seafood exports have been ranked as top earners of turnovers of the country, just behind crude oil, textiles, and garments (VASEP, 2015). The most popular seafood products in Vietnam are catfish (*Pangasius*), shrimp, tuna, and shellfish such as clams, oysters, and mussels. SMEs of seafood sector include private processing companies

and farming cooperatives established by farmers. Most seafood SMEs are concentrated in Mekong Delta in the South of Vietnam where there are a compact river system and ports that are favorable conditions for raising. As of 2011, there were around 104 private seafood-processing SMEs and 3,172 farms in Mekong Delta, accounting for 71% of the seafood farms in the country (GSO, 2015). Vietnam's seafood products have been exported to around 105 countries worldwide, among which the biggest markets are Japan, the US, the EU, and China (VASEP, 2015). However, Vietnam's seafood sector has been encountered some challenges in compliance with strict standards of food safety and environmental issues required by developed countries such as the US, the EU countries, and Japan (Dinh, D.T, 2006).

Agriculture has been the primary source of raw materials and for processing food industries as well as a major contributor for exports in Vietnam. The main crops are rice, coffee, sugar cane, and cocoa, and recently, fruits and vegetables are promoted to international markets (GSO, 2015). There are around 98% of agricultural enterprises are SMEs including cooperatives, which is a form of joint venture between small farmers in the same areas (VCA, 2012). As of 2015, there were 10,171 agriculture cooperatives in Vietnam, which are spreading all over rural areas of the country. However, Red River Delta and Mekong Delta have most agricultural cooperatives cluster due to their favorable farming conditions (GSO, 2015). The agricultural sector in Vietnam has received increasing supports from the government, particularly in crops for exports. However, for emerging crops such as fruits and vegetables, there are still facing challenges regarding

financial resources, technology, and strict quality standards required by international markets (VCA, 2015).

3.5 Supporting policies for SMEs development

Since the diffusion of Law on Private Enterprises in 1990, the following Decree on supporting SMEs 90/2001/ND-CP, and the Decree on SMEs 56/2009/ND-CP, the development, and improvement of private SMEs have been highlighted and received strong supports from the Vietnamese government (VN Gov Portal, 2015). There have been various favorable policies to support the SMEs to increase their competitiveness such as tax policies, land subsidies (cut down their land rent). For example, recently, the Government has issued the Resolution 35/NQCP dated 05/17/2016 to that supports and promotes the development of SMEs until 2020 with a subsidized tax at 17%, the lowest enterprises tax to compare with large firms, which is at 44% (VCCI, 2016). The policies have also provided supports for SMEs in the tax delaying, development of human resources, land use, and technological improvement, particularly for those enterprises in prioritized industry sectors of the country (VCCI, 2016).

Along with supporting policies, the Vietnamese SMEs have also received increasing assistances from government agencies and associations in their business including: the Vietnam Association of Small and Medium Enterprises (VINASME), Vietnam Association of Small and Medium Industrial Enterprises (VASMIE), Vietnam Chamber of Commercial and Industry (VCCI), Vietnam Cooperatives Alliances (VCA), etc. These associations function as supporters that help SMEs in Vietnam increase

competitiveness, boost commercial production, and raise their social responsibility (Vixathep, 2013).

Also, in the recent decade, SMEs in Vietnam have received ongoing supports from foreign government agencies and NGOs through donor-funded programs (Bekifi, 2006; van Duijn et al., 2012; Vixathep, 2013). These aid programs have applied the multi-stakeholder approach that facilitates more organized and systematic involvement of small- and medium- private businesses into a broader network with governmental and non-governmental actors for direct business interests such as financial and technical supports as well as product promotion. They also aim at public policy consultations that go beyond business interests such as environmental protection, worker's rights, and consumer's benefits. The donor-funded programs have highly welcomed by the Vietnamese government and cherished by the SMEs community in the country. Participating SMEs have received an improvement in responsible business practices to manage their risks and costs better, improve their product quality, production efficiency, and integrate into larger value chains and production networks (Bekifi, 2006; VCCI, 2010).

Table 3. Donor-funded programs for SMEs in Vietnam.

Program	Donor
Business Sector Program Support	DANIDA
Establishment of the National and Provincial SME Support Infrastructure	UNIDO
Enabling Environment for Competitiveness of SMEs	GTZ
Private Sector Support Program	European Commission
SME Development Program Loan	ADB
Making Markets Work Better for the Poor	ADB & DFID
Start and Improve Your Business	ILO, VCCI, SIDA
Vietnam Competitiveness Initiative	USAID
Establish a Sustainable Pangasius Supply Chain in Vietnam	WWF, DANIDA
Promotion of ASC certification on Aquaculture product	IDH, ASC, WWF

3.6 Obstacles to SMEs expansion

Although SMEs in Vietnam have made progressive achievements and contributions to the country's economy, they remain weak and have to overcome ongoing hurdles such as weak institutional organization, lack of access to capital and markets, and low competitiveness with international investors (VCCI, 2015). Firstly, the shortcomings that SMEs have encountered so far are rooted from discrimination against themselves by prolonged prioritization for state-own enterprises (Bekifi, 2006). In this vein, SMEs, especially start-ups, in Vietnam have been considered as social phenomena rather than economic entities. Thus, these SMEs are challenged in access to capital or credit and technological advancement that prevent them from competing with state-own enterprises

and international investors. Secondly, despite the increasing supports from agencies and organizations, SMEs have the lack of strategic operation system that could help them enter the formal economy (van Duijn et al., 2012). As for the embryonic nature of policies in Vietnam, the regulatory frameworks do not well play as pushing actors that could provide SMEs appropriate resources for development. The practices of policies remain ineffective as roles and functions of administrative authorities are still unclear (VCCI, 2015). Also, despite the foreign donor's initiatives to support the improvement of public policy that could better assist SMEs, their roles are still ambiguous, and their recommendations are not always considered by the Vietnamese government (Brunner, 2012; van Duijn et al., 2012). As most supporting programs are time-bound and have set limits of funding, the stagnant administrative procedures of partner agencies from Vietnamese government have detained the advantages of supporting programs and limited the expected outcomes of those programs. Lastly, SMEs in Vietnam are now facing the pressure of environmental adaptation from both the government and local community and international trade commitments (Nguyen & Halogg, 2015). Many SMEs have violated the environmental responsibilities due to their lack of financial and technological capacity to comply with government regulations and international trade commitments. In many cases, SMEs must drop the commercial contracts because of strict environmental standards from customers in developed countries such as EU, US, and Japan (Brunner, 2012, Nguyen & Halogg, 2015).

3.7 Existing regulatory frameworks on environmental protection and labor rights

The legal system of Vietnam is developed on the socialism legal structure in which National Assembly is the highest law-making body (Dao Tri U., 2003). The Legal Committee, with consultancy from its subordinate offices, assists the National Assembly in making law. The primary legal document in Vietnam is the Constitution, which was passed by the National Assembly on April 1992. Under the Constitutions are laws, codes, resolutions, ordinances, decrees, decisions, circulars, and other affiliated legal documents (VN Gov. Portal, n.d.).

Regarding labor policies, Vietnam government has issued comprehensive sets of laws and labor codes that regulate rights and duties of employers and employees. Essential requirements include Vietnam Labor Code and Social Insurance Law that regulates compulsory social insurance, health insurance, and unemployment insurance as well as industry safety and hygiene, prevention from injury, occupational disease, and vocational training. Besides, there are 40 decrees, decisions, and more than 100 circulars at ministerial level that regulate the labor code conformation (VCCI, 2010)

Regarding environmental policies, there are three basic laws and regulations including Law on Environment, Circulars of Ministry of Natural Resources and Environment, and Vietnam Standards on Environment that mandate the industry responsibilities in environmental protection (VN Gov. Portal, n.d.) The set of laws and related regulations clearly defines industries to develop a proposal for environmental protection, environmental impact assessment, and a clear commitment to compliance.

The regulatory frameworks in Vietnam have been considered comprehensive; however, jurisdictional and functional overlaps exist that prevent the efficiency of the legal system in the country (Nguyen & Halog, 2015). Besides, the monitoring, verification, and enforcement are not consistently and equitably exercised due to corruptive authorities that reduce the supporting function of the government to business organizations. Although there are many technical and financial supporting programs from the government, the accessibility is still difficult, particularly for SMEs.

CHAPTER 4. METHODOLOGY

4.1 Research design

This thesis attempts to answer the problem statements: (1) How is CSR perceived by SMEs in VN? (2) What drives the SMEs to engage in CSR activities? And (3) What are the types of CSR activities that SMEs involve in? Due to the current state of lack of empirical evidence about the perceptions of CSR of SMEs in the country, this thesis was expected to explore insights about how CSR is interpreted and applied in the socio-economic context of Vietnam as a developing country. The study employed grounded theory with one-time data collection to obtain an overall situation using a limited number of interviews in a short time manner. An exploratory study is utilized in this study to gain more information to make the theoretical framework more viable (Serekan, 2003; Creswell, 2013). The primary and secondary data collection was employed in this study to conceptualize understandings about CSR and the activities that were implemented by small and medium-scaled enterprises in Vietnam.

The organization of this research is shaped into three parts: (1) perception of CSR, (2) motivations and barriers to CSR implementation, and (3) CSR activities that companies are implementing. Primary and secondary data were collected from interviews, observations, and secondary documents including enterprise's websites. Interviews were conducted with 25 representatives of participating SMEs (each interviewee represented one enterprise) in the southern provinces and cities of Vietnam. The observations were intended to collect information from the company's activities that are related to their CSR policy when available and possible. The observations were not conducted when societies did not

have any activities implemented in the duration of this research. The secondary documents were collected through company's website and documents that were provided by the business representatives. Based on findings of the study, recommendations for further interventions or policies of CSR were made. The results from this study were also used to review the ideas from studies of CSR perceptions that were conducted in other developing countries.

4.2 Grounded theory

The process of qualitative research and analysis of qualitative data is a cornerstone of theorizing phenomena. As the matter of complex and ambiguous reality that the events are always associated with human conception, it requires the researcher to obtain a whole understanding of the phenomena through capturing information from different perspectives to explain the phenomena as close as possible (Glaser & Strauss, 1967). Analysis of data will explain the phenomena out of the ambiguity and complexity. Regardless how well the researcher established his ideas at the beginning, twists and turns always occur during the research (Corbin & Strauss, 1997). Thus, the analysis concerns the researcher's ideas and conceptions than the data per se. Corbin & Strauss (1997) provide guidelines to for theoretical integration that can help sense intricacy within the analyzed data. Similarly, Creswell (2013) offers instructions to establish questions that help the qualitative study be grounded in conceptualized data to enable understanding of the theory.

The grounded theory approach is based on the views of research participants to shape a theoretical understanding and provides an in-depth description and analysis of the phenomena (Creswell, 2013). The grounded theory is a good qualitative research design in

which the researcher creates a comprehensive explanation of a process incorporated from the views of participants. As participants in the study would have adequate knowledge and experiences about the process of the phenomena, the development of theory might clarify practice and pave the way for further research (Corbin & Strauss, 2007). As the matter of the fact that the discourse of CSR perception is limited in the context of Vietnam, the grounded theory is suitable to use when the theory is not available to describe the process of perception evolution. Thus, it is needed to employ this design to explain how the business community in the country has experienced with the CSR phenomenon and provided a framework for CSR practice.

4.3 Sampling methods and data analysis

This research was conducted in the South of Vietnam including Hochiminh city, where there was a high density of industrial zones, and Mekong Delta, where there was the majority of fisheries and agricultural businesses. Data were collected from primary and secondary sources. As interviewing is considered the main form of data collection through which ideas and perceptions about the emerging theory will be drawn from participants (Creswell, 2013), semi-structured interviews were conducted with questionnaires were considered a major approach to obtain primary data in this study. The data collection process consisted of going through participating individuals, gathering information, and returning to the evolving theory of CSR perceptions in developing countries to elaborate on how the theory worked.

The sample was selected from small- and medium-scaled enterprises following business directory of government agencies such as Vietnam Chamber for Commercial and

Industry, Department of Agricultural Extension, and through personal contacts of the researcher. The researcher obtained a list of 50 companies from three business sectors including apparels, agriculture, and seafood. Invitation letters and consent forms were sent out to 50 companies for interviews. A snowball effect was also used to obtain desired sample size when more than 50% of invitees refused to attend the interview. Samples were randomly distributed into three categories of business such as state-owned, foreign-owned, and private domestic. Key informants include company managers: Directors, Brand Manager(s), and HR manager(s), Sales Manager(s), and Social Compliance Manager(s). The researcher expected to have a sample size of 30 SMEs out of 50 invitees; however, there were only 27 enterprises agreed to participate in the study. Two companies (textile) canceled the interviews as the manager had business travels on the scheduled appointments while one (agriculture cooperative) terminated the interview due to an emergency call for business reason.

Interview questions were structured following the axial paradigm (Creswell, 2013) to explore the process of phenomenon including identifying the central to the process, the cause of the phenomenon to occur, strategies that were employed during the process and consequences that occurred. Thus, the interview questions were categorized into four groups: (1) CSR perception; (2) CSR drivers/constraints; (3) CSR activities; (4) CSR benefits/constraints/ and further recommendation. (Please see Appendix 1 for interview questionnaires). Interviews were conducted in Vietnamese and data were translated into English by the researcher. Several observations about production activities were made at factories and farms that allowed the researcher to participate. The researcher took notes in

during the interviews and observations, no audio or video recording was made. Secondary data were collected through websites and documents that were provided by several enterprises.

The ethical concerns in this study, which is confidentiality of sensitive information, were highly aware by the researcher. The information such as names of companies, names of informants, and addresses of companies was kept and destroyed by the researcher after the interviews and is not be identified in this report.

Coding help clusters similar information together and common points of categories are analyzed to form a hypothesis that the researcher initiated (Salda, 2009; Creswell, 2013). After the data had been collected, they were transcribed and coded following the instruction of Atlas.ti and transferred into a spreadsheet. Field note taken during the interviews and observations were also coded. SPSS software was used to build simple descriptive and frequency of information provided by interviewees.

CHAPTER 5: STUDY RESULTS

5.1 Scale & market of business

Among the 24 respondents, the majority of them were of domestic private-owned businesses while 5 of them were foreign-owned. Respondents were categorized into 3 sectors: agriculture, seafood, and apparel. The first category was the agriculture sector; there are 3 small-scaled enterprises, which were cooperatives, and 4 medium-scaled ones, which were company limited. Major products of these agricultural enterprises were vegetables, rice, and fruits. In the seafood sector, there were 7 small-scaled enterprises, which were cooperatives, and 4 medium-scaled enterprises, which were processing companies and hatcheries. The commodities of these seafood enterprises were shrimp, catfish, and tilapia. The last category is the apparel sector; there was an equal number of respondents of both small- and medium-scaled enterprises in this sector. The typical commodities of these enterprises were T-shirts, pants, jackets, and uniforms under subcontracts from larger companies in both domestic and international markets.

Table 4. Respondent scale profile.

Sector	Small-scaled enterprises	Medium-scaled enterprises
Agriculture	3	4
Seafood	7	4
Apparel	3	3

In terms of market segment, 11 enterprises sold their products domestically: 4 of them were in agriculture sector and 7 of them were in seafood. Meanwhile, amongst the 13

enterprises that have international clients, 3 were from agriculture, 7 were from seafood, and 6 were from the apparel industry.

Table 5. Market segment of enterprises.

Sector	Domestic market	International market
Agriculture	4	3
Seafood	7	4
Apparel	0	6

The results revealed that there is a relationship between business sector and their understanding of CSR. For example, in agriculture and seafood sectors, there were 10 enterprises defining CSR with environmental responsibilities, 7 of which were small-scaled cooperatives that had farms located next to rivers. The common responses that the researcher received among the agricultural and seafood businesses was that they relied on natural resources (water and land), which are rapidly depleted if they are not well protected. An example of this reliance can be seen in the fact that water from rivers in the Mekong Delta are the sole resource for raising fish and shrimp and growing crops. Therefore, farmers in the region quickly recognized the importance of natural resources as well as potential impacts of their production on the water and soil quality. Some of the interviewees showed their understanding about ecosystem by saying that the entire ecosystem could be damaged if any adverse impacts are caused by even one individual in the region. According to them, any individual farm that contaminates water and soil by discharging untreated waste and waste water or overusing chemicals could directly affect the livelihoods of other members of the community who also share the same resources. The following excerpts are

from some of the leaders of the agriculture and seafood cooperatives who associated CSR with environmental responsibilities:

SR means environmental protection and information and experience sharing with cooperative members on cleaner production to help them have better practices and avoid diseases (Interview No. 3 on June 25, 2016).

SR means being responsible for the environment and ecological system (Interview No. 4 on June 25, 2016).

SR means ... protecting the environment, not generating pollution and waste. (Interview No.7 on June 26, 2016).

SR means having a good vision in production, not seeing the immediate profits, and not doing harm to the environment (Interview No.8 on June 26, 2016).

Meanwhile, in the apparel sector, all 6 interviewed companies reported that CSR was primarily associated with responsibilities of the companies towards labor rights, benefits, and safety required by law. Most respondents said that the apparel sector is a labor-intensive business that employs a high number of workers at a low wage. In addition, these enterprises are located in industrial zones in big cities and therefore are watched by local authorities for safety and worker's rights. Thus, they are highly cautious about the regulations on labor rights and benefits, as well as health and safety. According to them, salary, health insurance, and work safety are among the top priorities of the company's responsibilities towards the society. Below are excerpts from leaders of apparel companies that associated CSR with labor rights and required benefits and welfare for employees:

SR means complying with the government's requirements on insurance for employees, contracting employees following the Law of Labors, paying fair salary and remuneration that matches employee expertise and ability, ... and paying full benefits and reimbursements for employees. (Interview No. 12 on July 16, 2016).

SR means company policies that ensure a safe, healthy, and fair working environment for employees (Interview No.13 on July 16, 2016).

SR means creating a safe and happy working environment for workers (Interview No.23 on July 22, 2016).

The perception of CSR amongst SMEs also varied depending on the target markets where companies sold their products. There were 17 enterprises, which exported to countries in European Union (EU), North America (NA), Japan, and Asia associated CSR as a market requirement. The requirements of clients in those markets usually include the sustainable production certifications that fit their country's regulations and customers' demands. For example, the EU countries are considered the high-end market with tough requirements on environmental standards. Similar conditions also apply for products sold to Japan and North America. Therefore, amongst these 17 enterprises that associated CSR with market requirements, 7 enterprises highlighted environmental responsibilities. 16 enterprises also ranked market requirements as the most first important reason for implementation of CSR activities in the production line. Similarly, enterprises that sold their products to certain market segments in the country also identified CSR as a requirement of the market. For example, 7 seafood and agriculture cooperatives that had contracts with supermarkets and schools revealed that they were strictly required by their

clients in terms of product certifications. The most popular certification schemes were VietGAP and Clean Product that were promoted by the government in recent years.

Generally, companies that exported products to external markets were required by their customers to meet specific standards that comprised environmental and ethical responsibilities. Also, according to them, higher prices and long-term contracts were fetched for those certified products if they complied with market requirements. An interesting point drawn from the interviews with these enterprises is that they are applying CSR practices at a certain level without knowing about it. At first, respondents thought that applying strict environmental standards and ethical practices were prerequisite conditions for entering the markets, without awareness of those standardizations as parts of CSR principles. However, as the term CSR emerged via public media in the past decade, they intuitively associated it with standardizations that the clients required of them in the production line.

5.2 Perception of SMEs about CSR

In order to ascertain the perception of enterprises about CSR, a general question “What does CSR mean to you?” was given in the questionnaires. The responses were grouped into 8 subcategories. The frequency represents the number of times the variables were presented in the definitions. The results were shown in the appropriate category below:

Table 6. Definition of CSR given by respondents.

CSR definition	Frequency
Philanthropy (wellbeing of local community, contributing to social welfare fund of the community).	9
Ensuring occupational safety, fair working environment, and wellbeing for employees in compliance with regulations.	13
Being responsible for environment.	10
Providing good quality products and caring about consumers' benefits.	7
Creating jobs to build relationships with surrounding community and contributing to socio-economic development.	7
Fulfilling requirements of the government.	7
Applying business ethical principles and codes of conduct.	7
Achieving economic goals of the company.	8

The responses were varied amongst enterprises. Eight groups of definitions about CSR were given based on their perception, including: (1) philanthropy, (2) ensuring occupational safety, fair wages, and benefits for employees, (3) being responsible for the environment, (4) providing good quality products, (5) creating jobs and achieving economic goals of the company, (6) fulfilling government requirements, (7) applying business ethical principles and codes of conduct, and (8) achieving economic goals of the company. No enterprise gave a single definition for the term CSR, but instead provided multiple definitions for it. The most frequent definition was “Ensuring occupational safety”, “fair working environment and well-being for employees”, which appeared in 13 responses. The next most frequently used definitions were “Being responsible for the

environment”(10), and “Philanthropy” (9). It is interesting to note that “Philanthropy” in this context was not merely voluntary but also unofficially required by the government and expected by the society. Similarly, the enterprises understood that “Creating jobs” was an expectation of the government and society and they considered it part of their responsibility towards socio-economic goals. The rest of definitions had similar frequency (8 and 7).

In order to generalize the definition of CSR from respondents, the researcher regrouped the given definitions into 5 categories based on definitions drawn from Carrol’s (1979) and Visser’s (2008) researches. The categories include economic responsibilities, legal responsibilities, ethical responsibilities, and philanthropic responsibilities. In addition, the researcher added one category that was presumed to emerge as an integral part of CSR implication, which is environmental responsibilities. Specifically, the Economic responsibilities included “Achieving economic goals of the companies” and “Creating jobs to build relationship with surrounding community and contributing to socio-economic development”. Legal responsibilities included “Fulfilling requirements of the government” and “Ensuring an occupational safety, fair working environment, and wellbeing for employees in compliance with regulations”. Ethical responsibilities included “Applying business ethics principles and conducts” and “Providing good quality products and care about consumers’ benefits”. Philanthropic responsibilities included “Contributing to wellbeing of local community and contributing to social welfare fund of the community”, and Environmental responsibilities included “Being responsible for the environment”. Each of variables above were coded and one score was assigned for each of frequency. The total scores of these categories were shown in Figure 5.

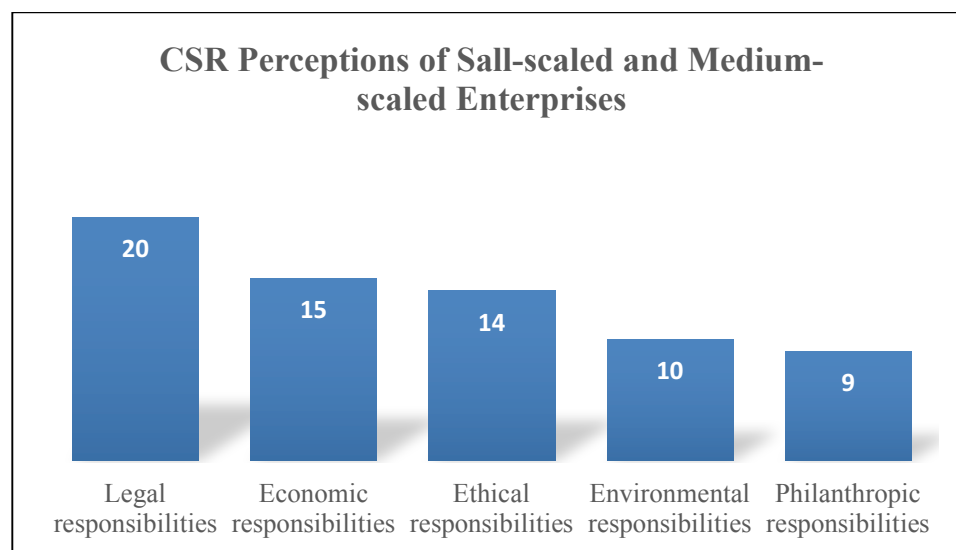


Figure 5. Definitions of CSR given by SMEs.

The results show that Legal responsibilities got the highest scores among the 5 categories. Second was economic responsibilities, and then ethical responsibilities was just one score behind. Philanthropic responsibilities however, receive the smallest scores amongst all. It is obvious from the results that corporate social responsibility did not go beyond legal and economic concerns among small - and - medium-scaled business organizations in Vietnam. Most of participating respondents reported that they were highly aware of conforming to government regulations. They also saw legislative frameworks prerequisite responsibilities of enterprises towards the society. Of similar importance, economic responsibilities were seen as ultimate goals for SMEs. Almost two-thirds of the respondents affirmed that their companies must gain profits to survive. Additionally they should maintain other economic goals such as job creation and having fair salary and benefits for employees before focusing on other responsibilities. In the mean time, Ethical responsibilities scored almost equal to economic responsibilities because they were

interrelated in terms of financial gains. First, respondents defined ethics as business values that enterprises should commit to such as fair operations and good behaviors through codes of conduct. In addition, they also recognized that caring about consumer benefits by way of providing high quality goods and services would help gain consumer trust; and consequently they could gain bigger sales and profits in return. Environmental responsibilities did not receive high attention as legal and economic responsibilities. Many respondents reported that environmental responsibilities were already included in government regulations. Thus, they had to perform environmental responsibilities as a part of legal responsibilities. Meanwhile, other enterprises, particularly in the seafood and agriculture sectors, thought that environmental performance should be apart from government requirements because environmental protection was the prerequisite for sustainable production. Lastly, philanthropic responsibilities received least attention of all. Although philanthropic initiatives, such as contribution to social welfare fund, were highly expected in Vietnamese society, they were not largely perceived as CSR amongst SMEs. Most respondents reported that they could only have ability to contribute to social welfare and philanthropic activities when they made profits and maintain the survivability of their companies.

In general, it is interesting that the perceptions of CSR of SMEs in this study are found similar with companies in the Western countries in Carroll's CSR model (1979), but not in Visser's CSR model (2008) for developing countries. In this vein, legal and economic responsibilities are perceived as top corporate social responsibilities, followed by ethical responsibilities and philanthropic responsibilities accordingly. This result has

opened an array for further research to investigate rationale of the evolvement of CSR development in Vietnam.

5.3 Reasons for CSR engagement

In order to understand what SMEs generally viewed as important reasons to engage CSR activities in their business, 9 values were introduced in the questionnaire including “company value/tradition, shareholders pressure”, “investment incentive, government requirement, relationship with the community”, “market access”, “attract better employees”, “public image”, and “philanthropic initiatives”. Interviewees were required to rank these 9 values in 3 categories: Very important, Important, and Not important.

Figure 6 shows the result of how 7 agricultural SMEs viewed the importance of reasons for engaging in CSR. In 4 medium-scaled enterprises, “government requirements” received the highest rank (4/4); second were “philanthropic initiatives”, “public image”, and “relationship with the community” (3/3). In 3 small-scaled enterprises (all of them were cooperatives), “market access” and “relationship with the community” (3/3) were considered very important reasons to implement CSR; second to that were “government requirements” (2/3). While “share holder pressures” and “investment incentives” were considered less important for medium-scaled enterprises, they were seen as important reasons for small-scaled cooperatives.

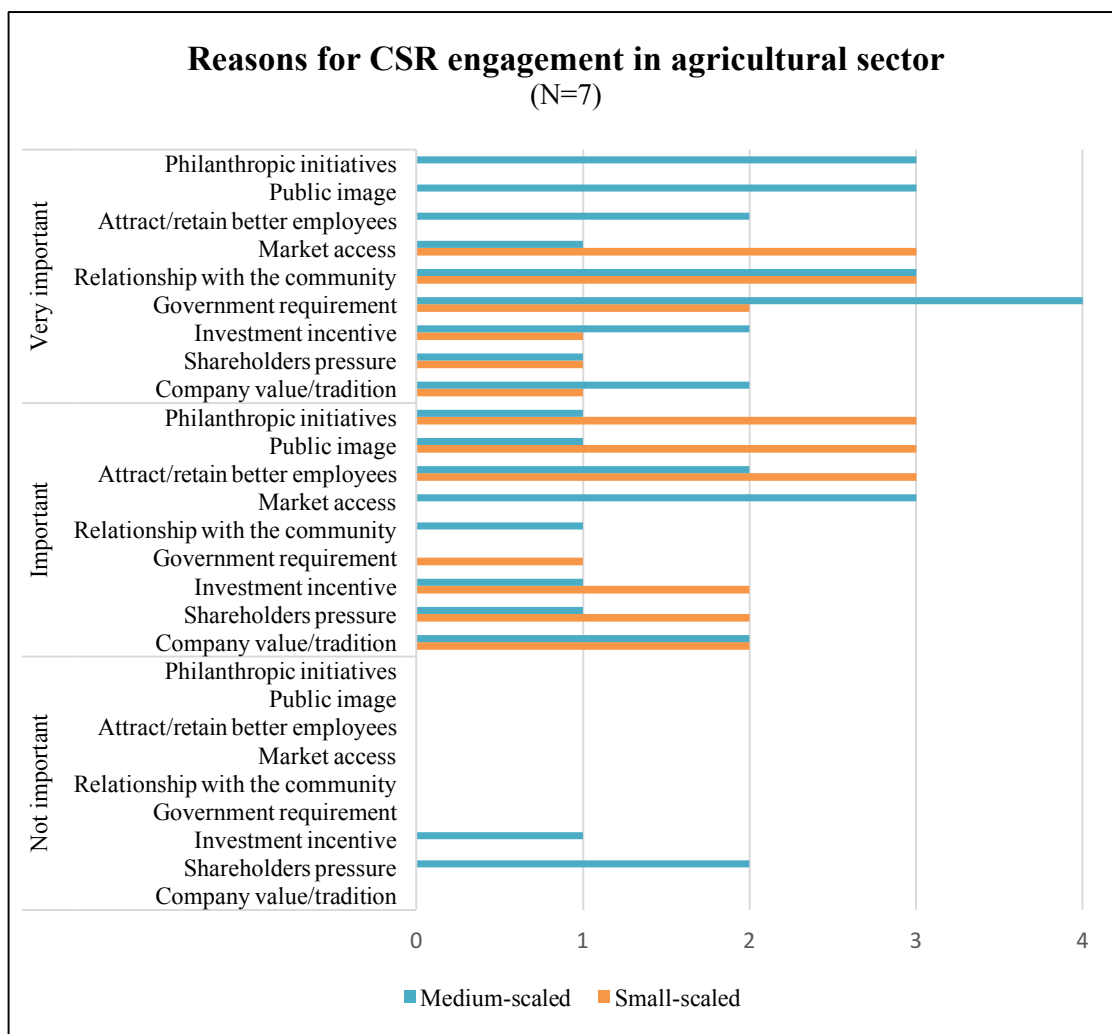


Figure 6. Ranking of reasons for CSR engagement in agricultural SMEs.

In the seafood sector, both medium-scaled and small-scaled enterprises considered “market access” and “relationship with the community” very important reasons for implementing CSR. There was a contrast of how both small- and medium-scaled enterprises viewed the “public image”. While all 4 medium-sized enterprises ranked public image important, only half of small-sized enterprises thought it was an important reason for them to involve CSR. Similarly, “company value/tradition” was not highly concerned

by medium-scaled enterprises (1/4); instead, it received more attention by small-scaled ones (5/7). “Shareholder pressures” was less recognized as an important reason for engaging in CSR by enterprises of all sizes.

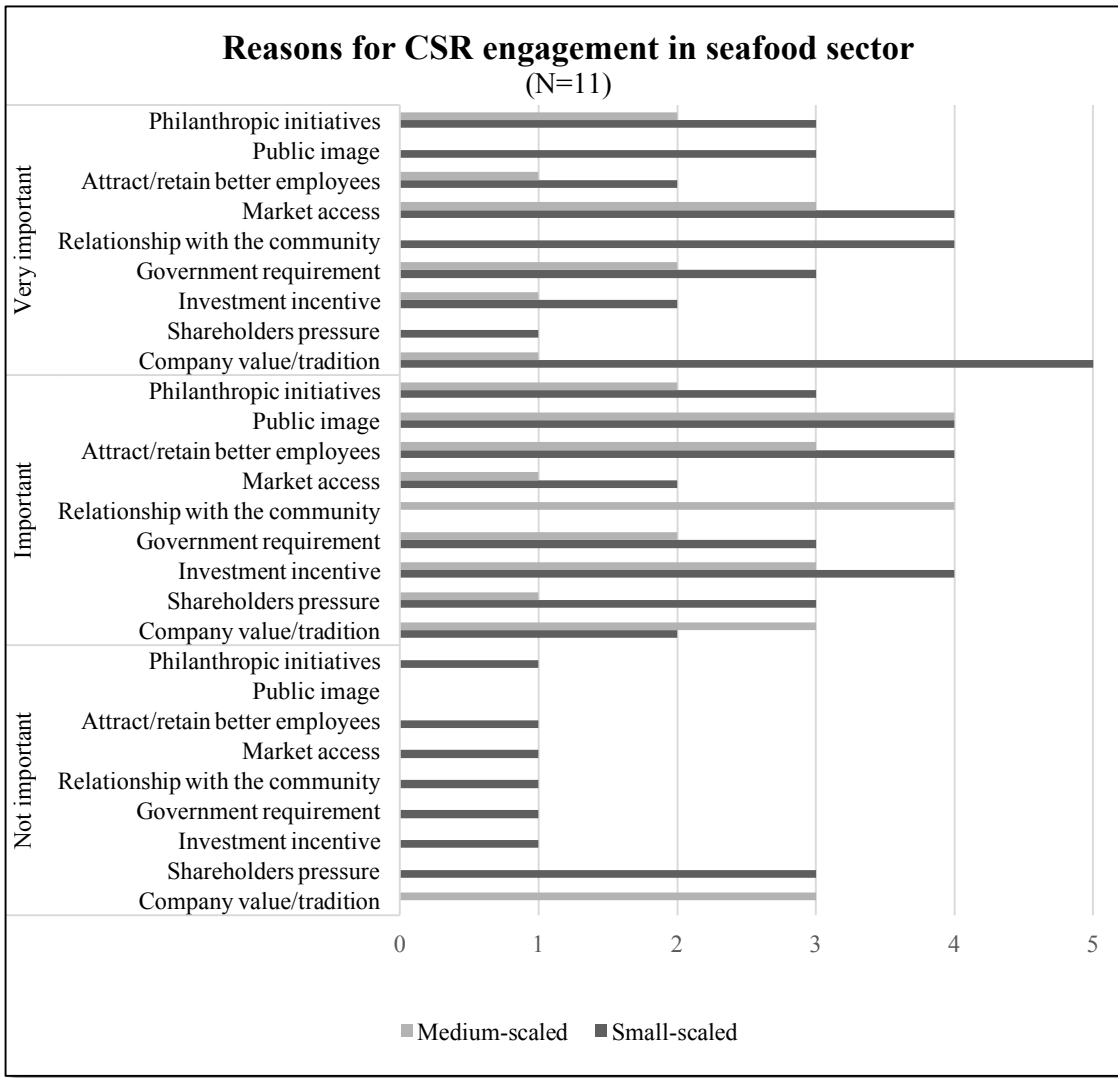


Figure 7. Ranking of reasons for CSR engagement in seafood SMEs.

In the apparel sector (Figure 8), there was a similarity in the way firms considered reasons for CSR application. Three reasons receiving highest consideration from both small- and medium-sized firms were “market access”, “relationship with the community”, and “government requirements”. Meanwhile, “shareholder pressures” received high attention by medium-scaled firms (2/3) but no attention by small-scaled firms (0/3).

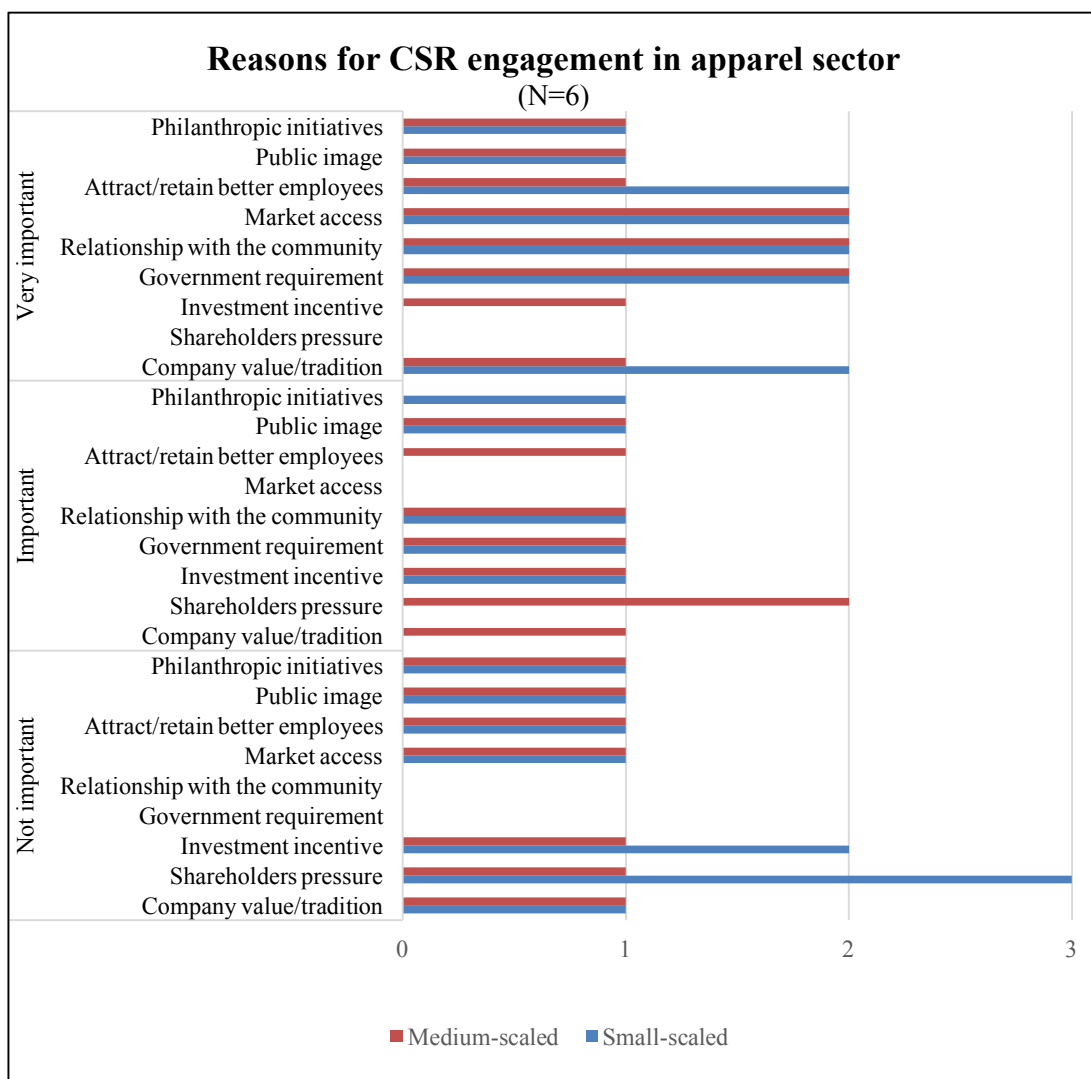


Figure 8. Ranking of reasons for CSR engagement in apparel SMEs.

In an overall look at all three sectors of both small and medium sizes, three variables receiving the highest ranking included: “relationship with the community” (16), “government requirement” (15), and “market access” (15). Meanwhile, “public image” (14) and “attract/retain better employees” (13) ranked lower in “Important” category. In the third category (“Not important”), “shareholder pressures” (12) and “investment incentive” (5) were considered the least important reason for SMEs to involve in CSR activities in their business.

The way SMEs across the three sectors considered important reasons for their organizations to engage CSR activities was consistent with their perceptions of concepts of CSR. In this sense, legal responsibilities and economic responsibilities were considered primarily important goals. According to respondents, business organizations were bound by legal framework and societal expectation on doing right and doing good for the community such as creating jobs and contributing to economic development of the locality. As a result, besides fulfilling government laws and regulations, it was important for SMEs to build a good relationship with the community by bringing economic benefits to them. At the same time, business entities were also tied to ultimate goals of sustaining themselves as profit-organizations. It means market access were crucial for them to sell their products; and consequently helped fulfill their economic responsibilities. Meanwhile, SMEs considered public image or attracting good employees as high incentives for SMEs to engage in CSR activities. The explanations were provided as that Vietnam had an abundant number of job seekers that exceeded numbers of jobs that SMEs could create. Therefore, job seekers usually moved around and cared more about salary and benefits rather than

what social responsibilities that companies might perform. Also, when enterprises fulfilled the government requirements and provided more economic benefits to the society, their reputation and image would be well-known to the public; therefore, engaging in CSR activities such as philanthropic were not necessary. Finally, most of the companies did not consider shareholder pressure an important reason for them to take CSR into account. The main reason was that enterprises, especially medium-sized ones, were structured in forms of “company limited”, which did not have shareholders, and the company director was the highest decision-maker. Thus, shareholders pressure was not commonly applicable for these enterprises. On the contrary, small-sized cooperatives were formed by members that have equal voice and power. The management board of cooperatives was the representative of the organizations; however, it was not allowed to make the decisions without consent of its members. As a result, shareholders pressure was considered important for CSR engagement in these small cooperatives.

5.4 Drivers and benefits of CSR

After giving definitions of CSR and classifying actual driving factors that made companies engage in CSR, interviewees were asked if their companies were actually applying CSR in their current businesses. 20 companies reported that they were implementing CSR, while the other 4 said they only partially performed it. The interviewees were asked to explain about actual drivers that made their companies apply CSR approach in their business as well as benefits that they expected to get when applying CSR. One score was assigned to each response of the motivation and benefit.

As shown in Figure 9, motivations of CSR that companies had were similar to reasons that they considered important to engage CSR in their business. 19 companies reported that “government requirement” was the first driver that made them take CSR activities into action. The following motivations were “market requirements” and “company policies”, which equally received 16 scores. “Philanthropic initiatives”, “better public image”, and “investment opportunities” received equal responses (14). Meanwhile, “pressure from community” and “pressure from shareholders”, which both received scores of 9, were not recognized as major drivers that led companies to apply CSR. Two companies provided additional motivations for CSR application. One of them was the “requirement of Industrial Zone management board”, which was actually governmental agency. The rest was “company’s ethical philosophy of business”, which was considered as the company value in business operation.

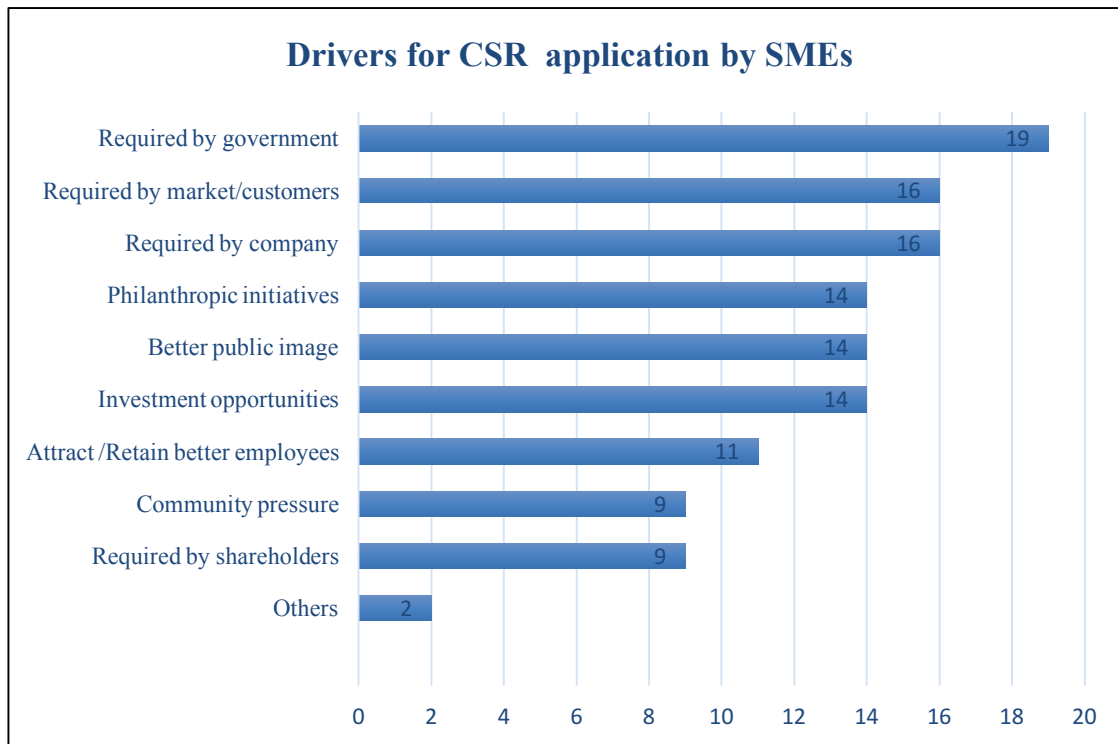


Figure 9. Drivers for CSR application

*Others: required by the IZ management board, company's ethical philosophy of business.

In terms of benefits of CSR application in Figure 10, "Better community well-being" received the highest responses (83% of the respondents). "Increased revenue", "Higher market share", and "Improved reputation" (of the same responses 63%), were direct economic benefits that the company expected when applying CSR. Meanwhile, "High-skilled employees" was less expected as benefits for engaging CSR by the SMEs (43%). Lastly, 13% of the respondents provided additional benefits that they recognized including: "better prices of applying sustainable production certificates" and "reducing production costs by applying energy saving and advanced technology".

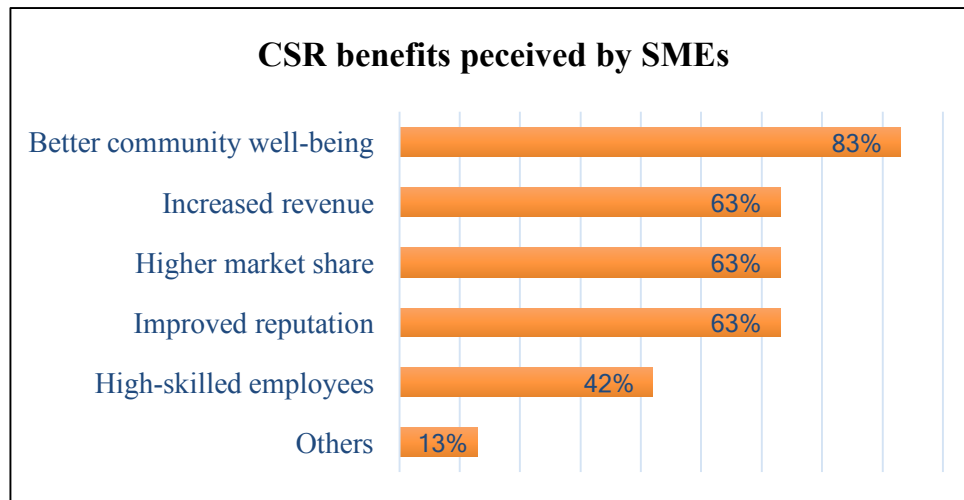


Figure 10. CSR benefits perceived by SMEs.

*Others: better prices for sustainable production certificates; reducing production costs by applying energy saving and advanced technology.

Generally, the results show that there is a relation between the perceptions of CSR, reasons for CSR engagement, motivations, and expected benefits that CSR application could bring to enterprises. The majority of SMEs understood CSR as legal and economic responsibilities. Therefore, they associated the incentives of engaging CSR in business practices with legal obligations (fulfilling government regulations) and economic benefits (which means increasing revenues and market shares).

It is interesting that the notion of “contributing to a better community well-being”, which is assumed as an ethical responsibility of enterprises, is actually associated with government expectation towards enterprises in Vietnam. The Vietnamese government has propagandized that contributing to the socio-economic development goals of the country is the business responsibilities. Therefore, enterprises have been aware that by doing good

business, generating more profits, paying taxes, and creating more jobs, they are able to claim ethical responsibilities and legal responsibilities. In this sense, the notion of bringing a better life for the community by applying CSR activities is actually aligned with legal and economic responsibilities of the enterprises.

In general, the understandings of the participating SMEs about CSR as well as its drivers and benefits were consistent. Translation between perceptions and actions had discrepancies that prevent enterprises from practicing their social responsibilities in a way that they perceived to be correct. The following results of CSR activities show what gaps were and what restrains SMEs had to practice CSR in their business operation.

5.5 CSR activities implemented by SMEs

In order to understand how CSR was translated from perceptions to actions in SMEs community, interviewees were asked about activities that they were implementing. 8 categories were given: “Environment”, “Employee welfare”, “Employee training”, “Community welfare”, “Health” (for both employees and consumers), “Report/Transparency”, “Communication” (including policies and CSR activities), and “Shareholder training” (including promoting social responsibilities in the value chain).

The results in Figure 11 illustrated that Environmental practices, which accounted for 19% of the total, were mostly implemented among the other activities. Second was the “Employee training”, which accounted for 15%; followed by “Employee welfare” and “Community welfare”, which both accounted for 14%. While “Health” and “Reporting” practices shared the same proportion (13%), “Communication” and “Shareholders training” (8% and 4% respectively) were less performed by the SMEs.

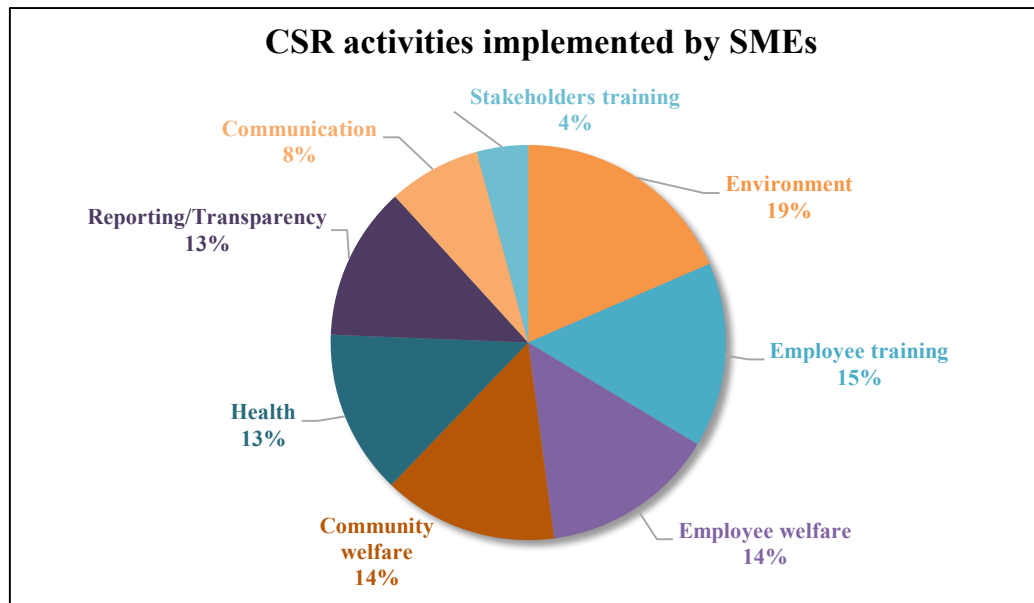


Figure 11. CSR activities implemented by SMEs.

In addition to providing practices that enterprises are performing, respondents were asked to describe details of activities. Below are the descriptions of CSR activities given by the respondents:

- Environment: waste management system such as waste water treatment, solid waste disposal, and hazardous waste collection; having control on light, noise, and air monitoring (in apparel sector), having control on chemical application in factories (in apparel sector), appropriate fertilizers application (in agricultural sector), minimizing anti-biotics and chemical for water treatment (in seafood sector).
- Employee training: mandatory trainings for employees about health & safety practices, fire fighting and prevention, environmental protection, and food hygiene. Discretionary occupational trainings included techniques and skills such as

cultivation and irrigation practices (in agricultural sector), fish/shrimp feeding and medical uses (in seafood sector), and machine and equipment operations, dyeing and sewing, etc. (in apparel sector).

- Employee welfare: this practice includes required basic insurances in compliance with the government regulations such as social insurance, medical insurance, and accidental insurance; labor contracts offering fair salary and remuneration, annual leave (12 days/year as mandated by law), and maternity leave for female laborers. Besides, some companies had additional benefits such as annual vacations/team-building trips, supplementary meals, overtime remuneration, and in-kind reimbursement such as milk during the shifts.
- Community welfare: social activities such as contributing to community/ social welfare fund that was encouraged by local government (scholarships for students, assistance for poor elderly villagers and poor families, construction of village roads and other village works, contribution to the fund for victims of orange dioxin agent, fund for people with disabilities), and other philanthropic programs.
- Health (both employee and consumers): health policy for employees includes annual or bi-annual health checks as required by law, hygiene practices and trainings at the work place, supply of first-aid kits with medical staffs on site. Besides, some companies had refreshments between the shifts. For consumers, health practices included concerns about consumers health by applying appropriate fertilizers, minimizing chemicals, and improving product quality.

- Reporting/Transparency: internal and external dialogues between employers and workers, and employers and representatives of the government. For enterprises under the form of “company limited”, the reporting lines were internal between heads of department and the managers/CEO/ Board of Directors. For cooperatives, reporting was more transparent as they had monthly, bi-annual, and annual meetings with all cooperative members to review the operation activities. Respondents from cooperatives stated that they were working under democracy where members vote for their leaders and for business strategies of the cooperatives.
- Stakeholders training (including promoting SR in the value chain): trainings for partners in the cooperatives or supply chain such as production techniques, chemical uses, product specifications, and sales strategy. Respondents also included the propaganda on environmental protection for cooperatives members in seafood and the agricultural sector. In the apparel sector, awareness about labor rights were introduced by contractors to subcontractors. However, most of the respondents didn't have stakeholders but only trade partners and subcontractors; therefore, the stakeholder training practices were not fully performed by them.
- Communication: this practice was described as communicating CSR activities of the enterprises and also communicating CSR activities to the public including consumers and surrounding communities. Respondents also identified communication as the promotion of the organization's image to the public. Some enterprises had public feedback channels to receive comments from their customers or trade partners.

It is interesting that the practices of social responsibilities amongst SMEs were mainly focused on the legal and economic responsibilities; and the results showed that there was a gap between perceptions of CSR and its practices in reality. For example, although environmental responsibilities were not highly recognized as major social responsibility, they were most exercised by SMEs. As environmental concerns were increasing by the public after notorious incidents in the country, most of the enterprises paid attention to complying the environmental regulations of the government. They focused on major issues such as solid waste management, waste water treatment, and hygiene that were regulated by the government under environmental laws. Therefore, the environmental responsibilities that SMEs were implementing herein were basically aligned with legal responsibilities although they were not largely recognized as corporate social responsibilities. Similarly, “Employee welfare and Health & Safety” issues (such as salary, social insurance, remuneration and other employee’s benefits), and “Health & Safety” (such as medical insurances, placing first-aid assistance, and training on fire prevention) were also government mandates. Enterprises were obliged to perform these regulations as part of economic responsibilities although they associated them with social compliance. However, in the seafood and agricultural sectors where mostly small enterprises were cooperatives, “health & safety” did not apply for them because they used their own family members as laborers. Farm owners did not usually buy medical insurances themselves because they were covered by the government subsidies for the poor. Thus, this CSR activity was not necessarily practiced by them although they fully acknowledged it. For “Employee training”, respondents explained that it was crucial for enterprises to train their

employees on production techniques and skills to assure their productivity. Therefore, the trainings were taken place for the sake of achieving economic goals of the enterprises per se, yet for employees career development. It means that training was purposed for business profits, not for worker rights and benefits as defined by CSR perceptions. For *Community welfare*, enterprises were highly expected by the government and society to contribute to the social welfare initiatives and philanthropic programs. Enterprises somehow allocated their resources to these activities with an aim to satisfy the government's expectation, to establish a good relationship with the locals, and also to gain good reputation from the public. Again, these activities were basically associated with legal and economic responsibilities of SMEs.

5.6 Standards and code of conducts

Currently, there is a wide range of standardizations and certification schemes that are used to promote sustainable production. Depending on types and scales of these business sectors, specified standards and COCs are applied in both mandatory and voluntary basis. In addition to giving a list of CSR activities with detailed descriptions, interviewees were also asked about schemes of product certifications that they were applying to better identify CSR practices that SMEs performed.

There were 12 standardization schemes applied by the participating enterprises. Except for ISO9001:2008, which is quality management system certification scheme that are applicable for any type of production, the other schemes of standardization are sector-oriented depending on types and scales of business.

In the agriculture and seafood sectors (Table 7), similar certifications for food production practices were applied such as ISO22000, HACCP, BRC, IFS, Global GAP, and VietGAP. VietGAP was most applied across these two sectors (11 seafood enterprises and 5 agriculture enterprises) because this standardization was financially supported by the Vietnamese government. Standards in the food sector including GlobalGAP, ASC, BRC&IFS and HALAL and HACCP were applied by only 3 seafood companies and 2 agriculture medium-sized companies. These standards are international certification schemes that were affordable by medium-sized companies regarding financial capacity. 1 enterprise applied Organic standard; however, they did not clearly explain the organization that certified this standard. 2 enterprises did not apply any of the certified standards; instead they followed product requirements of their customers from Japan. None of SMEs applied ISO14001 and ISO26000 in agriculture and seafood sector.

In apparel (Table 8), besides ISO9001:2008 which was applied at all scales of business, other international standards were required by supply chains in which enterprises exported their products to international clients. CSA, ASTM, and BSI were practiced by 3 enterprises while OSC was applied by only one enterprise. 3 enterprises applied their clients' requirements that were customized for their own product values. Again, ISO2006 and ISO14001 were not applicable in these apparel enterprises.

Table 7. Production standards applied by seafood and agriculture enterprises.

Standards	Frequency		
	Total	Seafood	Agriculture
VietGAP	16	11	5
ISO9001:2008	5	4	1
Global GAP	5	3	2
HACCP	5	3	2
ASC	4	4	0
ISO22000: 2005	3	1	2
BRC & IFS	3	3	0
HALAL	3	3	0
Customer's standards	2	0	2
Organic	1	0	1
ISO14001	0	0	0
ISO26000	0	0	0

Table 8. Production standards applied by apparel enterprises.

Standards	Frequency
ISO9001:2008	4
CSA	3
ASTM	3
BSCI	3
OCS	1
Customer's standards	3
ISO14001	0
ISO26000	0

Following the production certificates that SMEs are applying, respondents were also asked to provide brief descriptions of the standards, advantages and disadvantages that they encountered when applying them. Overviews of the standardizations are shown in Appendix A.

Despite the understanding of CSR benefits as well as the application of sustainable production standards, not all interviewed SMEs adopted certification schemes that they desired. Among the above-mentioned certified standard schemes, VietGAP were most adopted by agricultural and seafood enterprises because it was promoted and sponsored by the Vietnamese government. SMEs, which were applying VietGAP, reported that they received 70% of financial support for first-time implementation from the government besides technical supports from Center for Agricultural Extension. This initiative was much helpful for those enterprises to improve their social and environmental performance. SMEs remained reluctant to apply this standard because the selling prices for certified products was not much higher than non-certified products despite their higher quality and investment costs. When the government did not mandate or financially support the application of this standard, SMEs were not incentivized to implement it. Similarly, the adoption of other voluntary standards was still limited due to several immediate constraints such as lack of financial resources and expertise, fluctuating prices, and scales of business. First, enterprises ought to face higher costs of standard compliance. The investment costs including building up facilities such as water treatment and purification, dust filtration, and noise control systems were high. Also, most standards required annual audits and technical updates that were usually costly in addition to hiring auditors/ certifiers for verification and certification. Second, SMEs confronted with technical constraints such as lack of expertise in applying criteria of standards. Consequently, they ended up failing to attain or partially attained the criteria, or paid more cost to re-audit or sent staffs for technical trainings. Third, many SMEs were reluctant to adopt certified standards because they did not see its

immediate economic benefits in terms of selling prices. The application of standard schemes was considered a prerequisite for enterprises, especially in the apparel sector, to enter a certain market upon customer's requirements. The cost of the application is usually not shared by clients. Therefore, the selling prices for certified products are not different from the un-certified ones. For sectors that were sensitive to market changes such as seafood and agriculture, the selling prices are fluctuating and unstable while the cost for adopting certifications are always high. This demotivated enterprise in these two sectors to follow the certification scheme. Finally, the size of enterprises was also considered a major constraint for SMEs to adopt production standardization schemes. Since the participating SMEs were enterprises that had limited scale in terms of facility size, financial capital and numbers of employees, they saw difficulties in pursuing criteria required by certification standards. For example, in the seafood sector, most of the cooperative members were small-scaled farms that had small land and could only afford two or three fish ponds. Meanwhile, some standards such as ASC or MSC require them to have more ponds for waste water infiltration and water treatment that exceeds their capacity to adapt. To resolve this issue, farmers collaborated with each other in the cooperative to share waste water treatment ponds; however, this collaboration was not always successful.

The application of voluntary standards was still limited among SMEs and not usually initiated by SMEs although they had a high awareness of long-term benefits of the implementation. However, the promotion of these standards so far helped improve the understanding of business community about social responsibilities. Particularly, in sectors that directly exploit natural resources such as seafood and agriculture, the enterprises

observed changes in the way they used fertilizers and chemicals to minimize negative impacts on land and water. In the apparel industry, the labor rights and welfare as well as air and noise pollution were also highly aware by enterprises. Looking forward to the CSR agenda, which has recently been developed by ISO 26000 guidance, these voluntary initiatives and tools may pave a way for enterprises to integrate practices of social responsibility in business operation. As shown in Table 9, the voluntary standards that SMEs were applying have matched with parts of ISO 26000 core principles. When an enterprise already adopted several voluntary standards, the enterprise could find a holistic CSR approach attainable in their production line.

Table 9. Sectoral and cross-sectoral initiatives that match with ISO 26000 principles.

ISO 26000 Core Subjects							
	6.2 (Organizational Governance)	6.3 (Human Rights)	6.4 (Labor Practices)	6.5 (Environment)	6.6 (Fair Operating Practices)	6.7 (Consumer Issues)	6.8 (Community Involvement & Development)
VietGAP			x	x		x	
ISO9001:2008	x						
ISO22000: 2005	x						
Global GAP			x	x		x	
HACCP	x						
ASC			x	x	x	x	x
BRC & IFS	x				x		
HALAL							
CSA	x		x	x			
ASTM				x			
BSCI	x	x	x	x			
OCS				x			
Organic				x			

5.7 Constraints of CSR application

To understand barriers that undermine the adoption of CSR in SMEs, a follow-up question was given to enterprises examining why they could not implement CSR. There were 12 companies giving responses for this question. The most common barrier was the high costs of adopting CSR (3 responses). Enterprises, particularly agricultural and seafood cooperatives, reflected that although they were aware of long-term benefits of adopting CSR, they could not fulfill social responsibilities due to high costs of implementation. For example, in agriculture, investment costs in water filtration system, non-GMO seeds, composted fertilizers, and biomedicines were too high for enterprises to afford. Meanwhile,

the selling prices were not high enough to cover the costs. The next barriers were *no visible gains* (2 responses) and *time-consuming* (2 responses) for business. Respondents reflected, that following standardizations of social responsibility practices usually took extra time and resources such as policy development, staff training, implementation, and monitoring and evaluation. They did not see immediate and visible economic gains while they needed to prioritize the utmost profit making goals for their own survival. Therefore, SMEs could only adopt CSR practices when they had extra resources and time. In addition, as CSR was still considered voluntary in business and was *not required by customers or markets* (1 responses), enterprises found less incentives to adopt it. Besides, other factors (nature of business, size of business, and limited awareness of enterprises about CSR) were reflected as constraints of practicing CSR in SMEs. In small cooperatives due to nature of business, which was seasonal, the number of employees were not stable and the majority of employees working on the farms were part-time. It was hard for the cooperatives to pursue health insurances or social insurances for part-time employees. Employee's welfare in these small-scaled enterprises were usually not attained. In addition, not all enterprises completely understood CSR approaches. Enterprises that translated CSR as legal requirements or customer requirements normally put CSR into practice under the compliance with the government's regulations, or customer's demands for specific products. The limited understanding of a holistic CSR approach somehow restrained it to be exercised among these SMEs.

5.8 Recommendation for CSR application

There were 15 participating enterprises responding to the question about what they would suggest for a better application of CSR in general. Thirteen enterprises suggested a strict and effective law enforcement from the government to bind companies with social responsibilities, particularly liabilities for labor rights and environmental protection. Meanwhile, 7 enterprises suggested that a policy of CSR should be issued in business organizations along with CSR education awareness.

The responses reflected that as of the existing unwillingness to adopt social responsibilities among business organizations, there would a need to raise awareness about CSR benefits for SMEs including managers and employees. But above all, the law enforcement was considered utmost important to ensure that social responsibilities would be fully performed by the business organizations.

CHAPTER 6. DISCUSSIONS

The study findings have answered questions about how CSR is perceived and practiced by SMEs in several industrial sectors in the South of Vietnam. The results demonstrate that perceptions about CSR have been preceded by legal and economic responsibilities that are associated with types of business and target markets. In addition, environmental responsibility awareness has emerged throughout the implementation of CSR as well as the adoption of voluntary standards. Also, the study results reveal significant limitations that restrain the implementation of CSR among SMEs in the South of Vietnam.

6.1 Perceptions and determinants of CSR in SMEs

The findings of this study demonstrate that small- and medium-scale enterprises in the South of Vietnam count on legal and economic goals to form their understanding and practices of CSR. Meanwhile, other study findings show that cultural and political issues are influencing CSR perception in developing countries (Fox, 2004; Baughn et al., 2007; Visser, 2008; Idemudia, 2011). Instead, in the context of an emerging economy, SMEs in Vietnam tend to share a similar understanding of social responsibilities like other corporates in developed countries. It means that the Pyramid of CSR model of SMEs in Vietnam is found more related to the model for Western countries suggested by Carroll (1979) than the model for developing countries proposed by Visser (2008) in a respective order of priority: legal responsibilities, economic responsibilities, ethical responsibilities, (environmental responsibilities), and philanthropic responsibilities. In this respect, government requirements, market demands, and company's policies are considered major

factors that drive CSR practices. On the contrary, philanthropic responsibilities, which were highly expected as social responsibilities of enterprises in other developing countries (Fox, 2004; Welford, 2005; Hoffman, 2005; Visser, 2008; Casanova & Dumas, 2009; Lindgreen, 2009), are less concerned by SMEs in Vietnam. Similarly, internal drivers such as ethical responsibilities are not highly concerned by the SMEs as they cannot see the direct association with economic gains. In addition, the understanding and practices of CSR of SMEs have also been driven by types of business and market segments with regards to financial goals. For example, many enterprises have exported products to high-value markets in Europe, North America, and Japan that require strict codes of conduct. These enterprises usually make efforts to adopt voluntary production standards that are specifically required by such markets. Also, enterprises that have directly used natural resources such as agriculture and seafood tend to be concerned with environmental responsibilities. Meanwhile, firms that have intensive labor forces such as textile and garments focus on other aspects of social responsibilities like labor rights, health, and safety.

In regards to the socio-economic settings of Vietnam (in which FDI accounts for a significant portion of private investments and GDP of the country); SMEs, as subcontractors, usually follow standards and practices that are set by multinationals on international markets. Therefore, it could be assumed from the study that the perceptions of social responsibilities of SMEs in Vietnam have been influenced by external environment. In the meantime, the Vietnamese government has been expected to play a decisive role in advocating CSR practices towards sustainability throughout its legal

frameworks. Even though law enforcement in the country is still sporadic and inconsistent, the current set of legislation and regulations have urged enterprises to exercise socially responsible practices in their business activities.

Studies have suggested that CSR in developing countries should move beyond philanthropic responsibilities to obtain a sustainability agenda (Fox, 2004; Visser, 2008; Idemudia, 2011). Although CSR awareness and practices in Vietnam are Western-oriented, as revealed from this study, it would be premature to conclude that the business development of the country is in the move to sustainability regarding the dependency on multinational corporations and existing ineffective legislative administration.

6.2 Voluntary standardizations as triggering instruments for CSR

The application of voluntary standards of participating SMEs in the South of Vietnam is found sporadic due to limited financial resources and expertise capacity. However, there is a positive signal that these SMEs have taken initial steps towards a comprehensive social responsibilities agenda in business operations throughout codes of conduct (CoC). The adoption of codes of conduct at the current stage has only served the purposes of entering targeted markets and adapting customer's demands for economic gains. Nevertheless, participating enterprises have found themselves better aware of social responsibilities and their implications for sustainable production besides monetary benefits. Many of them have recognized that their organizations can gain non-monetary benefits from implementing CSR such as increasing trusts from the public and government, contributing to the well-being of surrounding communities, and protecting the environment.

As discussed by many other studies that CoCs and voluntary standardizations have played a significant role in promoting CSR practices in business organizations (Tulder & Kolk, 2002; Baskin, 2006; Halme et al., 2009; Robert, 2010; Mata-Lima, 2014). It is conceivable that CoCs adopted by enterprises could be influential in three dimensions of CSR promotion. On the one hand, CoC may be used by the societal and non-profit actors such as consumers, environmental organizations, and trade unions to guide and monitor enterprises' behaviors. It means that businesses could be cross-checked by these societal groups to help improve the practices of CSR and enhance the transparency reporting made by companies. On the other hand, CoCs can be used as a strategic instrument to improve the institutional organization of enterprises. The fact is that many voluntary standardizations, regardless of any sectors, offer guidelines for a comprehensive management system that requires businesses to organize themselves for efficient operations. In this regard, enterprises could be prepared to adopt a strategic CSR approach that promotes sustainable business development in the future. Also, as companies generally find excessive government laws restrictive to their freedom and sometimes abundant and ineffective, CoCs can be employed as a self-regulation tool that could pave the way for compliance with government regulations. Self-regulation encompasses the voluntary standards that could anticipate or adapt to the mandatory regulations from the government. Therefore, CoCs could be drawn to support enterprises to be self-regulated and prepared to be in compliance with government regulatory frameworks.

Regarding the types of CoCs that participating SMEs are applying, many of them share common aspects of the Corporate Social Responsibility guideline, which is ISO

26000, developed by ISO. In this respect, CoCs and voluntary standardizations adopted by SMEs could potentially trigger CSR practices towards a sustainable agenda for business organizations.

6.3 The emergence of environmental responsibilities in Vietnamese SMEs

The environmental responsibilities were not significantly recognized as corporate social responsibilities by the participating SMEs in this study. However, environmental responsibilities were most exercised by these enterprises in compliance with the regulations of the Vietnamese government and through the adoption of voluntary standardizations. Common environmental concerns across different industry sectors are waste management, wastewater treatment, fertilizers and chemical uses, and noise and air pollution control. Like studies found in other developing countries, environmental responsibilities have been increasingly practiced in Vietnam due to a variety of factors such as public pressures, customer requirements, and government regulations, particularly after environmental crises (Levis, 2006, Casanova & Dumas, 2009; Iwata & Okdada, 2011; Rotter, 2014). The participating enterprises revealed that notorious environmental accidents caused by irresponsible business behaviors drew the attention of the public in the recent years and consequently advocated for strict policies and law prosecution. Thus, enterprises must respond to the public pressure to maintain the public trust by addressing environmental impacts. In addition, efforts are made to gain credits from the government for operation license and future investment opportunities. Enterprises also promptly adapt to customer requirements by adopting voluntary standards that comprise environmental practices. Although none of participating SMEs adopted ISO14001, which provides guidance about

environmental management system, many of them implemented CoCs that shared common principles on environmental issues. Again, these CoCs have played a significant role of powerful tools to trigger environmental awareness and responsibilities of SMEs in the country. Lastly, some of participating SMEs have also recognized the long-term benefits of exercising CSR, particularly environmental friendly production such as energy efficiency and productivity enhancement. They have shared ideas that environmental responsibilities should be used by all business organizations in the supply chain to promote sustainability nationwide and globally.

6.4 Constraints of CSR adoption

Several difficulties in adopting CSR were found in this study including ineffective law enforcement from the government, discrepancies in responsibilities between large companies and SMEs, lack of expertise and resources from SMEs, and high implementation cost versus unstable market prices.

The first drawback of CSR adoption reported by participating enterprises was the weakness of the government in law enforcement. Although there was a handful number of legislation and regulations regarding business responsibilities in labor rights & welfare, and environmental protection, the compliance was still limited because the enforcement was not fully exercised. When incidences occurred such as waste water leakage or worker rights violation, enterprises tended to negotiate with local officers to reduce the punishment instead of fixing and rehabilitating the problems. Besides, the approval process of investment projects of SMEs was unclear and usually occurred with rapid verification by the authorities. For example, a processing plant could be approved for construction even

when there was an incomplete proposal of waste management system. Usually, some enterprises were allowed to bypass the incomplete project and start the business by negotiation with the government officers. This ambiguous process resulted in fraud and made it hard for social responsibilities to be practiced in business organizations.

Secondly, the inconsistency in translating social responsibility policy in the production chain was also considered a hindrance for practicing CSR among business community (Twose & Rao, 2003; Tencati, 2008). As SMEs are usually producers that are hired by corporations or MNCs when they have many orders from their clients. Instead of seeing these producers as subcontractors that share similar production principles and values, big businesses usually focused on the quantity and quality of the orders than on how the products were processed. Moreover, not many large companies had a strategic CSR policy that could be transparently interpreted to subcontractors or partners in the supply chain. They also less concerned about how SMEs practiced codes of conduct and social responsibilities. Such ignorance resulted in a little awareness as well as a willingness to exercise CSR among SMEs. In addition, the lack of transparency in marketing and sale of the companies would also result in a little awareness of customers on the things that they buy. "Behind-the-scenes" production activities of the companies were little known by the consumers; therefore, they were not selective in demanding and buying the products that were responsibly produced.

Lastly, similar to other studies in the country, high investment costs versus unstable selling prices was also reported as a significant factor that restraint the adoption of CSR in SMEs (Bekifi, 2006; VASEP, n.d). The common issue was that the costs to adopt CSR

(such as developing a comprehensive operation system, monitoring and evaluating the implementation, fulfilling benefits and welfare for employees, and taking sustainable certification schemes) were frequently exceeding the capacity of SMEs, particularly for small cooperatives. Meanwhile, due to the business nature such as agriculture and seafood, the market price has been varying from time to time and usually could not compensate for high costs in adopting CSR. In addition, the cost of CSR was not often shared by MNCs while SMEs were restricted by technical and financial resources (Tran & Jeppesen, 2015; Hoang & Nguyen, 2014; Hoang C.L., 2015). The participating SMEs usually found unequal power relations in the supply chains that made them view CSR as a burden for producers at the bottom of the production line. For example, the promotion of VietGAP in agricultural and seafood industries was considered a promising initiative of Vietnamese government towards sustainability and therefore would increase socially and environmentally responsible production in the country. The initial assistance on financial and technical resources for participating enterprises enabled a smooth application of this standard. However, when the standard is mandated, and sufficient financial subsidies will be no longer provided, SMEs would find it challenging in maintaining the compliance of this specification due to its high investment cost while selling prices are still unstable.

6.5 Options to promote CSR in Vietnam

Given the study findings in the political and socio-economic context of Vietnam, possible options for increasing CSR engagement in SMEs could be proposed as follows:

6.5.1 Government policies and law enforcement

CSR is often considered as going “beyond the law” as it is assumed that the

regulatory aspects are fulfilled by business organizations (Caroll, 1974; Moon, 2004). In reality, SMEs, particular ones in supply chains, operate in different regulatory systems that are overlapped and ineffective (Delma, 2002). The fact is that participating SMEs expressed the need for a consistent translation of laws and regulations than the need to change them. It means that the national legislative system would be more efficient to reduce unrealistic legal obligations while ensuring that local laws and regulations are fully enforced. It will also enhance social trust from the public and create incentives for business actors to increase their commitment to the performance of applicable rules and standards.

It is also important that efforts of promoting CSR in Vietnam would be plausible in an environment in which procedures of monitoring and verification are fully exercised. It highlights the important role of the government in CSR efforts by creating an efficient environment where regulations and standards are fully practiced. The government in this regards, need to establish a robust framework for monitoring and verification of the compliance with existing standards and provisions. Furthermore, such frameworks would be more efficient if they engage different stakeholders in the monitoring and enforcement process to establish a clear roadmap for parties that wish to see laws, principles, and standards are performed. It means a collaboration between public and private sectors including local, national, and international actors, civil society organizations (NGOs, trade unions) should be established as a governance model to foster the monitoring and verification of social responsibility practices in the country.

6.5.2 CSR awareness and collaborative partnership for SMEs

As discussed in Chapter 4, the adoption of CSR in SMEs is still at the stage of

managers' discretion mainly driven by economic incentives. In particular, there appears to be a disparity regarding the knowledge CSR and how it is translated into practices in different enterprises. It results in willingness to apply voluntary CoCs in the business activities. Since the virtue of CoCs has been viewed as a means to achieving good social practices (World Bank, 2003), efforts to promote and monitor the performance of these codes remain essential. The study would suggest that awareness of CSR implications throughout adoption of voluntary CoCs is needed in SMEs community. At the managerial level, long-term benefits of a strategic CSR approach that go beyond immediate profits should be carefully considered to pave the way for better management practices. The awareness raising process should also include educating, building capacity, and empowering workers to spread sustainable performance in working places. Again, CoCs are pathways for SMEs to enter international markets as well as to move towards a sustainable agenda. However, CoCs cannot replace national legal regulations; therefore, it is crucial for SMEs to comply with the national law and the government is still responsible for such compliance.

CSR has been found a long-term investment which is expensive in the context of Vietnamese SMEs as reflected by participating enterprise. As SMEs in Vietnam have been found inferior in the supply chains and very much dependent on large MNCs, CSR is usually found a burden that is imposed on SMEs and is not technically and financially shared by MNCs. Thus, the inability to meet with social and environmental standards has inhibited interaction opportunities of SMEs at international level. Therefore, the involvement of stakeholders including producers, factories, trade partners, and large

MNCs, as well as consumers should be established in the supply chain to ensure a sustainable approach to CSR engagement in the industry. In fact, it seems that such involvement of stakeholders would be beneficial for investments in CSR in the long run. The participation of multi-stakeholders would create a partnership as well as a model of collaborative governance in the supply chain. It would also help empower SMEs, especially producers, and increase their bargaining power on the international market.

6.5.3 Environmental responsibilities and environmental-friendly production

The first challenge of environmental responsibility performance of SMEs has been a relative inattention to environmental-friendly production strategy. As for the long-term business management efficiency, SMEs are encouraged to consider the adoption of a proactive strategy for engaging environmental awareness and administration (Porter & Linde, 1995a; Al-Tuwaijriet al, 2004; Reinhardt & Stavins, 2010; Sprinkle & Maines, 2010). Specifically, enterprises should identify the environmental issues that could be adequately addressed in the particular context of their business. Then, a set of codes of conducts including green procurement and clean production should be developed and strictly monitor to ensure the consistent compliance with these provisions. Fundamentally, environmental policies should be embraced throughout the business organization. The enterprises should engage a set of activities including education to employees about environmental risks together with labor issues to ensure a sound understanding and efficient performance of the policies of the enterprises.

The second challenge that SMEs have faced with in adopting environmental responsibilities has been inadequate financial and technical capacity regarding their sizes

and types of business. Although some of the environmental principles have been engaged in voluntary standards that SMEs are applying, it is necessary to have a supportive mechanism where multi-stakeholders could share incentives and assistance for SMEs to adopt environmentally responsible business models in which CoCs are well fulfilled. The multi-stakeholders would include government, trade unions, business partners, producers, and consumers. One possible initiative should be offering incentives and financial support to adopt environmentally responsible production practices. In this respect, the technical and financial supports from the government, international institutions, and business stakeholders should be encouraged. Another effort should be developing benchmarks that support the cross-sectoral agreement of principles between standards to help reduce costs, time, and resources for enterprises. For example, the current initiative of sponsoring the application of VietGAP, as a voluntary national code of conduct, has been welcomed by the participating SMEs. However, maintaining the implementation of this standard without financial and technical assistance is challenging, particularly when this standard is not recognized by the international market. Similarly, there is a little harmonization of existing environmental principles and regulatory provisions. This discrepancy makes the adoption of similar voluntary CoCs high costs and time-consuming. Therefore, it is necessary to have a cross-sector benchmarking scheme that could be applicable for different industries to reduce time, cost, and resources for SMEs. In the meantime, SMEs would be able to adopt different CoCs at the same time of preparing themselves for a comprehensive environmental responsibilities agenda.

In the final words, CSR is promising to make business sense in Vietnam given the

understandings of participating SMEs. Although the adoption of CSR is still sporadic and limited at some extents, a pathway for responsible business and sustainable goals could be fostered. At the existing conditions of SMEs, particularly small-scale cooperatives, it is necessary to have innovative partnerships that involve actors at different levels to establish the supportive platform for SMEs on CSR agenda. The engagement can be simple (SMEs with appropriate stakeholders such as NGOs) or complex (SMEs with MNCs and trade unions in a supply chain, with international agencies, environmental and social organizations). In this collaborative approach, the Vietnamese government is expected to play a role as a facilitator with their regulatory tools while civil society organizations as mediators and supporters to build up SMEs capacity through a demand-driven educational agenda.

6.6 Suggestions for future research

This study has explored the perceptions of CSR, its determinants and activities performed by SMEs in the South of Vietnam in the context of political and socio-economic context of a developing country. A further empirical study which could scale up to SMEs across the countries in Vietnam would be valuable to have an overall picture of how CSR is perceived and practiced by SMEs in the country. In addition, a comparative study between SMEs in different developing countries would be helpful to provide an overview of how CSR is developed and practices in countries of similar socio-economic contexts. Furthermore, the study should reach out to a wide range of industry sector, particularly export-oriented ones that are linked in the supply chains to explore the relationship of MNCs and local SMEs in engaging CSR approach towards a sustainable agenda.

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APPENDIX A: VOLUNTARY CERTIFICATIONS AND STANDARDS APPLIED BY PARTICIPATING SMES

In agriculture and seafood sector:

- VietGAP (Vietnamese Good Agricultural Practices): Viet GAP, which was launched by Ministry of Agriculture and Rural Development in 2008, is a national standard that requires farmers and enterprises in food sectors to adopt a minimal standard of production in their farms. VietGAP is also aimed to reduce the gap between national standards and international standards to enhance the competitiveness of the Vietnamese enterprises in the global market (MARD, 2008). VietGAP was based on criteria of GlobalGAP and AseanGAP with the intention to match the Vietnamese production standards with standards in international markets. The criteria are set for food safety in a production line from the farm preparation to post-harvest storage, including leading factors such as food safety, product quality & traceability, environmental impacts, worker's health, safety, and welfare. VietGAP was initially implemented in fruit and vegetable sector and has been recently applied to several businesses in seafood sectors such as shrimp, tilapia, and catfish. This certification scheme has been piloted on a voluntary basis, and the certification progress has been technically and financially supported by the government. In the future, the Vietnamese government will transit it to a mandatory basis that forced enterprises and individual farms to implement (MARD, 2008).
- GlobalGAP (Global Good Agriculture Practices): GlobalGAP was initiated by Euro-Retailer Produce Group under the name EUREGAP in 1997 as an

independent certification system for food sector in the Europe in response to customer's concerns about food quality, environment, and worker's health towards (GlobalGAP.org). In 2007, EUREGAP was changed into GlobalGAP to reflect the transformation of the standard to become an internationally recognized standardization system that can reach a global market. GlobalGAP certification covers a range of criteria include food safety and traceability, the environment including biodiversity and responsible use of water, worker's health, safety and welfare, and animal welfare. The integrated certification scheme of GlobalGAP helps improve business performance such as production efficiency. The benchmarking system of GlobalGAP also helps enterprises minimize costs and time of encountering different criteria annually. Currently, many companies are applying GlobalGAP to enter markets in US and EU countries. However, the exercise of this certification scheme is limited in small- and medium-scaled enterprises due to its high investment cost and insignificant selling prices.

- ISO9001:2008: this is an accreditation scheme developed by International Standardization Organization (ISO) in 2008 to promote a quality management system in business organizations (ISO, 2008). The requirements of ISO9001:2008 are generic and can apply to all organizations regardless types and scales of business. It comprises a set of policies under the quality management system that is fundamental for planning and execution of the business operation. The quality management system of ISO9001:2008 requires organizations to prove their ability to provide a product that meets customer's requirements consistently as well as

enhance customer's satisfaction by maintaining and improving the system continuously. The criteria of ISO9001:2008 includes licenses to trade, documentations of the management system and performance processes, records of employee training, records of monitoring and improvement of the management system, and audit records. As ISO9001:2008 is a certification scheme that required a well-established organization, it is widely applied by enterprises in forms of companies and corporations than with small-scale cooperatives.

- HACCP (Hazard Analysis and Critical Control Points): developed by US Food and Drug Administration (FDA) in 1992 with an aim to mandate a means of assuring food safety from harvest to consumption. HACCP is also a certified standardization scheme that requires organizations to have a management system for food analysis and control. The system covers the control of biological, physical and chemical hazards from raw materials, procurement and handling, manufacturing, distribution, and final consumption of the food chain (US FDA). HACCP is recognized as an international standard that can be applied in food sector globally. The standard covers seven principles including hazard analysis, establishing critical control limits, creating a monitor control system, corrective actions, verification procedures, and documentation and record keeping. Like GlobalGAP, the application of HACCP for SMEs is still limited due to lack of resources. SMEs who are not exporting products to the North American countries do not find incentives to apply this standard.

- ISO22000: developed by ISO to introduce a food management system that aims to harmonize the requirements for food safety in the food chain globally. As a certified standard scheme, ISO22000 allows companies to gain customer's confidence in buying their product by showing that they have a food management system in place. As a derivation of ISO9001, ISO22000 require companies to have a system management in place with interactive communication, prerequisite programs, and HACCP principles. For prerequisite programs, ISO22000 does not have specific requirements but requires companies to identify and implement their appropriate programs. It gives companies the flexibility to organize their operation programs that best suit their production conditions. For HACCP principles, as HACCP is aimed to integrate different international standards that could widely apply, it is tailored with HACCP principles and give companies a benchmarking scheme that helps minimize time and costs for applying different standards. Therefore, companies that already have a management system and HACCP in place, they can find it easier to gain an ISO22000 certification.
- ASC (Aquaculture Stewardship Council): designed by two non-profit organizations, World Wildlife Fund for Nature (WWF) and Dutch Sustainable Initiative (IDH) in 2010 with an aim to endorse responsible seafood supply chain. ASC is a certified standard scheme that is expected to promote the environmental and social performance of aquaculture production that can contribute to a transformation of this sector towards sustainability. It can also increase the trust of consumers via certified responsibly produced seafood via chains of custody and

seafood label. ASC standards cover seven principles including legal compliance, natural environment and biodiversity preservation, water resources protection, species diversity preservation, responsible use of animal feed, animal welfare, and social responsibility including community development. The ASC standardization system also promotes the transparency in the certification process, in which the reports of certification with information of farms, factories, and audits are posted on its website for public access. As a newly launched standard, ASC has been supporting farms and processing enterprises with technical and financial resources via different projects. However, according to interviewed SMEs, it's hard for small-sized farms to apply this standard because of the farm sizes and high costs. SMEs have not seen incentives in term of selling prices when using this standard.

- IFS (International Food Standard): is a Global Safety Initiative recognized standard developed by International Featured Standard company in 2003. The standard is intended to promote a certification scheme that aims at food safety and processing and product quality. Clients of IFS certification include food manufacturers, brokers, logistic providers, wholesalers, and retailers. The certification criteria cover a range of requirements including senior management responsibility, a system of quality and food safety management, resource management, planning and production process, food defense, and measurements, analysis, and improvements. The application of IFS certificate has only applied to medium- and large-scale enterprises as it is suitable for food processing companies that want to export products to specific markets in Europe.

- BRC (British Retail Consortium): developed the Global Standard for Food Safety in 1996 to provide a certification scheme for food manufacturing practices and quality management systems. BRC standards are applicable for food processing and packaging and storage. The BRC food safety criteria include consistent audit process, the chain of custody, traded goods, food defense and food for charities, fraud reduction, transparency and traceability in the supply chain, and small sites applicability. These criteria including transparency and traceability help gain customer's trust on the BRC certified products and increase the monitoring of food safety by the public. Like IFC, BRC is still limited to the types and scales of food business such as medium- and large-scale processing companies. Therefore, not many SMEs in this research are applying these two standards.
- Organic: there has not been an "Organic" certification that is developed and recognized in Vietnam except for international certification schemes introduced by USDA and EU (MARD, 2016). According to respondents, SMEs that have claimed Organic in their farms are applying organic farming practices that they learned from the Center for Agriculture Promotion and other sources. However, the criteria for organic farming are strict, costly, and require a persistent commitment from farmers. Thus, not many SMEs are adopting organic practices and Organic certification schemes from their clients.

In apparel sector:

- CSA (Canadian Standards Association): initiated by CSA group, a Canadian testing and certification services group established in 1919 that are accredited in Canada,

the US, and worldwide. The CSA cover a broad range of standardization services in different industries worldwide. Sets of standards include environmental management & performance, energy efficiency verification, sanitation testing, quality & risk management, worker & workplace safety, and hazardous locations. As a member of ISO, CSA can help enterprises increase their accessibility to markets in North America and other international markets that require strict CoC.

- ASTM (American Society for Testing and Materials): developed in 1898 in the US to publish voluntary standards for materials, products, systems and services. There are more than 13,000 ASTM standards in different industries that have been applied worldwide to improve product quality & safety and facilitate trade. ASTM standards cover public health and safety, promotes environmental performance, contributes to materials and products reliability, and facilitate commercial partnerships. In apparel sector, ASTM issues abounding sets of standards such as body measurement for sizing, conditioning, chemical and thermal properties, cotton fibers, fabric test methods, flammability, sustainability of textiles, etc (ASTM). For apparel enterprises that are in vertical supply chain, the adoption of ASTM standards can pave the way for their products to enter international markets in the US and other developed countries.
- BSCI (Business Social Compliance Initiative): initiated by the Foreign Trade Association in 2003 for companies to improve CoC and monitoring system about social responsibility in the Europe and the global supply chain. BSCI standards cover 11 principles including: the rights of freedom of association and collective

bargaining, fair remuneration, occupational health and safety, special protection for young workers, no bonded labor, ethical business behavior, no discrimination, decent working hours, no child labor, no precarious employment, and protection of the environment (BSCI, 2016). BSCI is considered an initiative that focuses on social accountability of the business globally. Companies in a supply chain are obliged to develop their management system in compliance with BSCI standards in the production process. Any failure in compliance by contractors and subcontractors will be subject to contract termination by trade partners in the supply chain.

- OCS (Organic Content Standards): developed by Textile Exchange organization in 2007 to track and verify the content of organic materials in final textile products. The standards focus on a traceability system that monitors and document the purchase, handling, and use of certified organic materials. The amount of organically grown materials will be verified from its source to final products before the certification is issued by a third party. OCS standards cover the production line including processing, manufacturing, packaging & labeling, trading and distributing the products that contain a certified amount of organic materials. OCS standards are committed to the expansion of organic cotton and sustainable textile; however, they are not intended to address the issues of chemical use or social and environmental aspects of the production line.

APPENDIX B: INTERVIEW QUESTIONNAIRE

Questionnaire for SMEs Interview on CSR Perceptions and Activities

Date of interview: _____

I. COMPANY INFORMATION

1. Company name:

2. Company address:

3. Company type/sector:

- | | |
|---|--|
| <input type="checkbox"/> State-owned | <input type="checkbox"/> Apparel & Clothing |
| <input type="checkbox"/> Foreign-owned | <input type="checkbox"/> Agriculture & Fisheries |
| <input type="checkbox"/> Private domestic | |
| <input type="checkbox"/> Joint-venture | |

4. Informant:

- | | |
|--------------------------------------|--------------------------------------|
| <input type="checkbox"/> Manager CSR | <input type="checkbox"/> R&D Manager |
| <input type="checkbox"/> manager PR | <input type="checkbox"/> Other: |
| <input type="checkbox"/> manager HR | |
| <input type="checkbox"/> manager | |

5. Number of employee:

6. Total capital:

6. Market:

- _____ domestic
- _____ regional
- _____ North America (The US & Canada)
- _____ EU
- _____ Latin America

- _____ Middle East
- _____ Australia
- _____ Africa
- Others (please specify)

II. CSR PERCEPTION

1. What role do you play in the company?

2. What does "social responsibility" mean to you? and to your company?

3. What are socially responsible actions of a company? What are the examples of those actions?

4. On a scale from 1 to 3 what is the most important reason for a company to engage CSR?

1- Very important; 2- Important; 3-Not important

- | | | | |
|---|---------------------------------------|---|--|
| a | _____ Company tradition/value | f | _____ Market access |
| b | _____ Shareholders pressure | g | _____ Attract/retain better employees |
| c | _____ Investment incentive | h | _____ Public image |
| d | _____ Government requirement | i | _____ Philanthropic initiatives |
| e | _____ Relationship with the community | j | _____ Others (please specify and rank) |

III. CSR DRIVERS/ CONSTRAINTS

5. Does your company engage in CSR activities?

YE
 S NO

6. What leads your company to engage in CSR activities?

- | | |
|--------------------------------|------------------------------------|
| _____ Required by company | _____ Required by market/customers |
| _____ Required by shareholders | _____ Attract better employees |
| _____ Investment opportunities | _____ Better public image |
| _____ Required by government | _____ Philanthropic initiatives |
| _____ Community pressure | _____ Others (please specify) |

7. What are the benefits does your company expect on implementing CSR activities?

- | | |
|---|-------|
| <input type="checkbox"/> Increased revenue | _____ |
| <input type="checkbox"/> Higher market share | _____ |
| <input type="checkbox"/> Improved reputation
Higher profile | _____ |
| <input type="checkbox"/> employees
Better community well-being | _____ |
| <input type="checkbox"/> Others (please specify) | _____ |

8. Why doesn't your company implement CSR?

- | | |
|------------------------------------|---------------------------------------|
| _____ No visible gain for business | _____ No pressure from the government |
|------------------------------------|---------------------------------------|

- | | |
|------------------------------------|--|
| ___ Too costly | ___ No pressure from stakeholders |
| ___ Too much time-consuming | ___ No pressure from other competitors |
| ___ Not enough financial resources | ___ Others (please specify) |
| ___ Required by customers/market | |

IV. CSR ACTIVITIES

9. How are decisions/ strategies made in your company?

10. What activities has your company implemented? (Please describe them)

- a Employee welfare _____
- b Environment _____
- c Health _____
- d Employee training _____
- e Stakeholders training _____
- f Community welfare _____
- g Reporting/Transparency _____
- h Communication _____
- i Others (please specify) _____

11. What are the regulations and requirements that your company is obliged to? (Please describe them)

- Government regulations _____
- Production certificates _____
- Sustainability standards _____
- Codes of conducts _____
- Others (please specify) _____

12. How much spending is allocated to those activities in your company (amount, % per year)?

13. What can be done to increase social responsibilities of SMEs?

**V. CSR
COMMUNICATION**

14. Does your company have CSR (or public relations) report?

YE

S NO

15. (If YES) How does the report support your company image?

16. How does your company communicate CSR activities to public?

17. How does your company respond to stakeholders/ public concerns?

18. Is there anything else you can share about the value to your company in participating in CRS?

Thank you for participating in the interview!



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