



Drivers for and Obstacles to Corporate Social Responsibility Practices in Vietnam - A Study in Small and Medium Enterprise Exporters

Le Thi ThanhXuan^{1,*}, Tran Tien Khoa², Nguyen Thi Thanh Lieu¹

¹*School of Industrial Management, Ho Chi Minh City University of Technology (VNUHCM),
268 Ly Thuong Kiet Str., Dist. 10, Ho Chi Minh City, Vietnam*

²*International University, VNUHCM,
Quarter 6, Linh Trung Ward, Thu Duc Dist., Ho Chi Minh City, Vietnam*

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Abstract: Based on the fact that most factories/manufacturers failed to comply with foreign customers' requirements for Corporate Social Responsibility (CSR) practices from first audits, the present study aims to explore Small and Medium Enterprise (SME) exporters' understanding of the CSR requirements of foreign clients and motivations and obstacles for them to practice and implement CSR. In order to tackle the research objectives, a qualitative approach is chosen and in-depth interviews with owners, HR/CSR managers and production managers are employed to collect data. The research scope is firms/suppliers in hardlines (non-furniture and non-apparel) section. Thematic analysis is used to analyse and categorise data from interviews. The research findings show some crucial points. Firstly, the CSR requirements of clients are not correctly understood. Secondly, there are seven drivers for CSR practices which match with previous studies. Lastly, six out of the ten obstacles to implement CSR are new findings in the present research context. From these findings, some recommendations are proposed to improve CSR practices in SMEs.

Keywords: Corporate social responsibility (CSR), drivers, obstacles, SMEs.

1. Introduction

CSR has emerged and become one of the most important issues in business life, especially in international business. Firms now are expected not only to be profitable, but also responsible by practicing “corporate social

responsibility” or being “corporate citizens” [1]. Regarding the social responsibility of a firm, there are two demands for CSR (from customers and from other stakeholders, such as investors, employees and community) identified in previous studies [2]. In these two demands, those of customers can be considered as the key reference point for any firm [3]. In spite of its importance, there is not much literature or material on customers' perspectives (and other stakeholders as well) for firms to refer to,

* Corresponding author. Tel.: 84-903393406.
Email: lttxuan@hcmut.edu.vn
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understand and serve them well, not only in developing but in developed economies as well [4].

In Vietnam, Hamm (2012) pointed out that CSR activities have been introduced, driven and required by Western international corporations [5]. According to Hamm (2012), because of requirements from transnational corporations (TNCs) of their suppliers, codes of conduct were first introduced to Vietnam in the early 2000s [5]. It can be said that most of the pressures for firms to practice CSR is from foreign customers. Hamm (2012) also stated that the most pivotal concern of foreign corporations is social and environmental issues [5]. However, the fact is that not much literature has focused on finding whether Vietnamese firms correctly understand these requirements. Moreover, the motives or obstacles to practice CSR from perspectives of business organizations also have not been found to explain the current CSR situation in Vietnam.

Vietnam, as one of the destinations for diversifying sourcing activities of TNCs, follows the trend of firms with increasing exposure into international markets. The concept of CSR therefore has been discussed more in Vietnam nowadays. According to Bao Cong Thuong (2017), after being a member of the WTO in 2007, values of exports have increased 12-14% per year, 4 times since 2006 [6]. To achieve this increasing growth rate, firms in Vietnam have to comply with all of the requirements of foreign partners/buyers. Among these requirements, international standards of social responsibility or codes of conduct are one of the significant issues which Vietnamese suppliers are required to follow if they want to participate in global supply networks. According to Bondy et al. (2008), codes of conduct (and CSR literature as well) are a force to ensure that firms do their business in a responsible way [7].

Many previous studies point out that CSR practices in Vietnam are re-active or defensive, rather than accommodating or proactive. In other words, firms in Vietnam have tried to

passively respond to CSR requirements from foreign buyers. In particular, in the field of handicraft products exported to foreign buyers in the USA and Europe, most Vietnamese suppliers cannot fully comply with their CSR requirements. According to WECA's report (WECA is a buying agent for retailers and importers in North America, South America, Europe and Australia) in 2016, most suppliers failed in the first audits. This is a strong reason to conduct a study to explore how Vietnamese firms understand the social and environmental requirements of foreign suppliers, and with that understanding, the reasons why they fail can be identified. These reasons (if identified) can help the government greatly in making policies to help firms satisfactorily respond to all requirements.

As a result, the main purpose of the present study is to deeply explore how SME suppliers understand the CSR requirements of foreign buyers. First, to address this research purpose, it is necessary to deeply investigate, from the Vietnamese suppliers' understanding, what the CSR requirements of foreign clients are. Then, the paper looks at the reasons for encouraging firm practice of CSR. Finally, the remainder of this paper presents difficulties or obstacles preventing firms from implementing CSR. The research findings are used to propose some suggestions to promote CSR amongst SMEs exporters, and also help them to overcome difficulties in meeting clients' requirements to secure their position in the supply chain to retailers in the USA, Europe and other international markets.

2. Literature review

2.1. An overview of CSR and codes of conduct

CSR was first defined by Bowen in 1953 [7]. It includes pursuing policies, making decisions, and following lines of action to achieve the objectives and values of society. In other words, CSR is a kind of responsibility for the consequences of firms' operations, not just

the making of profit. In subsequent CSR definitions, scholars identified responsibilities of business organizations as activities as perceived by their stakeholders, such as expectations of the public, stakeholder theory, etc. [8]. CSR definitions in the decades of the 70s, 80s and 90s expressed the responsibilities of firms as far as profit-making and obeying laws are concerned. In particular, protecting the environment is confirmed as an important obligation of companies [4, 8]. In CSR definitions, the one that can be examined in relation to all stakeholders of a firm is documented by Carroll (1991) [9]. This CSR framework, frequently employed by many practitioners and scholars [2, 4], include four types of responsibilities: economic, legal, ethical, and philanthropic. Each type can be explained by the requirements or expectations of related stakeholders [4].

Based on Carroll's CSR pyramid, Visser (2008) revisited and re-ordered the four types of responsibilities for developing countries [10]. As explained in his paper, in developing countries, economic responsibility is also of the most significance. However, because of CSR being perceived as philanthropy and religion and local conventions. Philanthropic responsibility is of the second order, after economic responsibility. Then, legal and ethical responsibility follow, respectively. Even though the order of the four types of responsibilities is different between Carroll's and Visser's study, these four types are components for which firms have to be responsible. Therefore, to explore how SMEs understand CSR, this study is based on these four responsibilities.

The result of reviewing literature on CSR and codes of conduct show that the relationship between CSR and codes of conduct is both implicit and explicit [3]. The implicit assumption explains that the code is to help and ensure the responsible operations of firms. In codes of conduct, there is not clear content or the nature of any commitment [3]. In other words, it is not possible to find any explicit suggestion or explanation about anything

except promoting CSR. Bondy et al. (2008) point out that this relationship is also explicit [3]. They reviewed some studies (such as Kolk, Tulder and Welter in 1999, and Dickerson & Hagen in 1998, OECD in 2001) and stated that codes of conduct properly include guidelines, recommendations or rules, which can impact the behaviors/actions of firms in order to have better CSR. For example, there are guidelines (called as internal codes) to instruct employees how to behave in different situations [3]. Therefore, it can be said that CSR and codes of conduct required by foreign clients are used interchangeably.

2.2. Drivers for CSR practice

In their study, Graafland & Mazereeuw-Van der Duijn Schouten (2012) classified motives for CSR into extrinsic and intrinsic motivations. In particular, reasons to practice CSR in firms come from corporations' policies and from individual managers [11]. In spite of any other reasons, practicing and engaging in CSR with firms is mainly based on self-interest [12].

Extrinsic motivations are those driven by obvious CSR positive influences on business performance, such as: financial performance, reputation, sales and market share, etc. CSR can impact financial/corporate performance in many ways, such as improving the reputation of companies in the consumer market, attracting talented employees [11]. This positive influence is found by previous scholars [13-16].

Intrinsic motivations are not related to financial performance. These are about managers' personal values and beliefs and/or self-interest, which can motivate CSR in their firms. Ethical norms and codes of conduct can be released by top managers. Acting, making ethical decisions and expressing personal values can be performed by middle managers [11, 12].

The review of drivers for CSR practice in the literature can be classified into 4 groups: economic responsibility, ethical responsibility, legal responsibility, and leader's personal issues (see Table 1).

These drivers are used to frame and prepare semi-structured questions to interview SMEs for the present study.

2.3. Obstacles to CSR practices

Similar to drivers for CSR, there is not much research on obstacles to CSR. Among identified barriers, financial issues and a lack of CSR knowledge seem to be identified by many researchers [17, 18, 19, 20]. These findings are similar to the report of UNIDO (<http://www.unido.org>). This report also indicated that standards from developed

countries are actually pressures and challenges for SMEs in developing counterparts.

Other studies conducted in developing countries such as: Iran [19], India [18] and Vietnam [20] found one pivotal barrier - a lacking of understanding of customers' concerns (or standards/requirements). This obstacle is one of the most significant factors preventing SMEs from practicing CSR. Research findings from previous studies are classified into 4 groups as obstacles to CSR, including: economic issues, HR issues, lacking of CSR knowledge, and legal issues (see Table 2).

Table 1. Findings of drivers for CSR practices from previous studies and researches

Category(ies)	Drivers	Authors and year
Economic responsibility	Customers' requirements	[19, 21, 23]
	Image, reputation, and branding	[11, 19, 21, 23, 24]
	Pressure from employees	[21]
	Financial motive	[11, 19]
	Quality improvement	[19]
Ethical responsibility	Moral motivation	[11, 18, 23]
Leader's personal issues	Reasons of personal leaders	[12]
	Pressure from management	[23]
	Reasons of personal leaders	[20, 23]
Legal responsibility	Pressure from society	[21]
	Government	[21, 25]
	Environmental preservation	[19]
	Pressure from society	[19]

Table 2. Summary of obstacles to CSR practice from previous studies and researches

Category(ies)	Obstacles	Authors
Economic issues	Financial issues	[17, 18, 19, 26, 27]
	Pressure of cost competition	[20, 23, 27]
	Lack of customers' concern	[23, 27]
	Pressure of profit	[20]

HR resources	HR resources	[20]
Lack of CSR knowledge	Society pressure	[27]
	Lack of CSR knowledge	[18, 19, 20, 27]
Legal issues	Regulations and law	[20, 27]
	Lack of support from related organizations	[18]
Leaders' personal reasons	Leader's personal issue	[24]

For the purpose of finding answers to explain why many factories fail in the first audit, the above obstacles were employed to design semi-structured questions for the interviews.

3. Methodology

The main purpose of this study is to investigate Vietnamese firms' understanding of the CSR requirements of foreign customer. The frame used to analyse and compare is from Social Accountability 8000 (SA 8000) international standard, which includes ten criteria as follows:

Labour/labour right

1. Prison/forced labor
2. Freedom of association
3. Health and safety
4. Child labor
5. Wages and benefits
6. Working hours
7. Discrimination
8. Regular employment
9. Disciplinary practices

Environment

10. Environment

Drivers for and obstacles to CSR practices need to be explored. For these research objectives, a qualitative approach was chosen with in-depth interviews, taken in a comfortable context for respondents, as the main method of data collection. This method is suggested by Creswell in 2007 [28]. The research scope was firms/suppliers in the hardlines (non-furniture and non-apparel) section. The sample was selected within Vietnamese-owned SMEs. The top five vendors (by business volume) in the section from the North and the South of Vietnam were chosen to interview. Selected interviewees were owners and CSR managers/executives or production managers of the selected vendors. However, at the end, the interview from Vendor E was excluded as the owner did not straightly answer the questions and he also wanted to participate and tried to lead the answers of the CSR executive.

The summarized information of the sample can be referred to in Table 3.

Table 3. Information of selected vendors and interviewees

Vendor	Region	Year of establishment	No. of workers	Business field	Product type	Interviewee(s)
A	South	2008	50	Trading	Weaving	Owner & HR executives
B	South	2004	250	Manufacturing	Weaving	Owner
C	South	2000	80	Manufacturing	Weaving	Owner & Production manager
D	North	2000	50	Trading	Lacquer	Owner
E	South	2001	100	Manufacturing	Lacquer	Owner & CSR executive

F	North	2002	40	Manufacturing	Lacquer	Owner
G	North	2005	50	Manufacturing	Weaving	Owner
H	North	1999	30	Trading	Lacquer	Owner
I	South	2001	300	Manufacturing	Lacquer	Owner & HR manager
J	South	2003	90	Trading	Weaving	Owner & Social compliance manager

Based on the result of the literature review, semi-structured interview questions were proposed to collect the data. The interview questions were about CSR requirements in this section, drivers for and obstacles to CSR. Finally, thematic analysis was employed to address the research questions. According to Gibson and Andrew (2009), thematic analysis serves three main aims, including examining commonality, examining differences and examining relationships [29]. With those aims, thematic analysis fit the research purposes properly.

4. Research findings

4.1. Understanding of the CSR requirements of foreign clients

There were a total of ten factors mentioned in the interviews. Among the factors, *Health and safety*, *Wages and Benefits*, *Working hours*, and *Environment* were mentioned by all interviewees. Respondents from four of nine vendors were able to list all criteria in SA 8000. The owner of Vendor G shared his company's situation:

Our factory had been audited by L&F customers such as Dunnes Stores or Habitat. The requirements are in general similar as in SA8000. However, they focus more on safety e.g. fire safety and construction safety. (Owner G, 2016, research interview)

The first criteria of social compliance requirements, the *Prison labor* or *Forced labor* issue, was not mentioned by any respondents from the beginning of their reply as to what was considered as social compliance criteria. When the interviewer asked if customers had any requirements about *Prison labor* or *Forced*

labor or whether they considered this as a social compliance issue, respondents from seven of the vendors advised that customers did not allow the use of prison labor. However, they shared no more ideas about the criteria.

As mentioned by owners, *Freedom of association* (the second in SA8000) is a factor, which is not paid attention to by both auditors and labour. Meanwhile the third, the fifth, and the sixth (*Health and safety*, *Wages and benefits*, and *Working hour*) are recognized by all firms because of their significance. As stated by an interviewee:

Auditors always asked about working conditions and labour. The most important is age of workers, working hours, and wages. (Manager C, 2016, research interview)

One of the respondents also clarified his point of view about child labor:

Customers are required not to use child labor. I myself also do not accept child labor and I encourage children to go to school, as I believe it is good for their future. (Owner B, 2016, research interview)

Only four of ten vendors were aware of *Discrimination* (the seventh criterion) as one of the criteria required by foreign clients. They did not mention about this point when they were first asked what they understood of customers' requirements for social compliance. Even when they were asked if the customers had any requirements, whether there should be no discrimination in the factory or not, owners of four out of nine companies answered that they did not think that the customers would ask about that.

Respondents were aware of the eighth requirement for *regular employment* (the eighth) from customers. Respondents from six out of nine companies considered this related to

the requirements for insurance. The HR manager of company I shared that having regular employment or signing long-term contracts with workers were beneficial for the company as well, as it meant they would have a stable workforce.

Long-term contracts are good for the company as well, as it relates to stable workforce. (Manager I, 2016, research interview)

The ninth concern about *discipline practice* was not mentioned by respondents until they were asked whether or not they thought the customers were concerned with *disciplinary practice*. The answer was “yes” from five out of nine companies. The respondents said that their understanding about this issue was that customers would like to know whether or not their company deducted salary of workers for any mistakes.

Auditors just asked whether we deducted salary of workers or just gave a warning. (Manager C, 2016, research interview)

The last requirement about the *environment* was identified by all respondents from all nine companies as a social compliance requirement of customers. The HR managers and owners of companies I said that clients required compliance with the *environment* requirement, and that the company had invested in, and had met the requirements.

Environment was a very difficult issue for us, but we have heavily invested in that and complied with the requirements now. (HR manager & Owner C, 2016, research interview)

In brief, vendors’ understanding of CSR requirements (based on SA8000 international standards) is summarized in Table 4.

Table 4. Factors mentioned as CSR requirements

Criteria for social compliance audit	A	B	C	D	E	F	G	H	I	J
Prison/Forced labour	X	X	X	X		X			X	X
Freedom of association	X		X	X		X		X	X	X
Health and safety	X	X	X	X		X	X	X	X	X
Child labour	X	X	X	X		X			X	X
Wages and benefits	X	X	X	X		X	X	X	X	X
Working hours	X	X	X	X		X	X	X	X	X
Discrimination	X		X	X					X	X
Regular employment	X		X	X		X			X	X
Disciplinary practices			X	X		X			X	X
Environment	X	X	X	X		X	X	X	X	X

4.2. Drivers for CSR practice

In response to the question “What are drivers for CSR practice at your company?” respondents mentioned seven motives which can be classified into three different categories, namely: economic motives, leaders’ personal motives and legal motives. A majority of interviewees realized the benefits from practicing CSR; therefore they easily identified drivers leading their firms to implement CSR in their operations.

Most respondents nominated the first category of *Economic motives* as drivers for

CSR practice, which includes the five drivers of: *Maintaining and attracting customers*, *Workers’ performance*, *Development of company*, *Workers’ requirements*, and *Reputation and image*. The first driver chosen by the respondents from six out of nine companies was: to *Maintain business with existing customers and attract new customers*, and this is considered as the key driver as well. The owner of Company C, a trading company in the south, expressed her motivation for CSR clearly as below.

Good CSR implementation will result in maintaining business with existing customers

and attract new customers. (Owner A, 2016, research interview)

Or, as another owner said:

With CSR practice, workers will commit to the company and perform better. In the long term, it is good for the HR management to have a stable workforce, to ensure good quality and on-time delivery for the company. (Owner I, 2016, research interview)

Following *Economic motives*, informants said that *Owners' personal value* was another driver for companies to practice CSR. This motive was chosen the most i.e. the respondents from seven out of nine companies considered it a driver for CSR activities. They considered it as a driver for CSR as they put their heart into the business to treat people who work for them well. The owner of Company B was very excited when he talked about the motives for CSR activity at his company. He expressed that his strongest motive for CSR then was the desire to support employees to have stable jobs, to pay insurance for them so they would get a monthly pension when they retired.

First of all, I love to do something that can help many people. At the beginning, when the government required us to pay insurance for workers, I was not willing to do it as we have to pay quite a lot more for insurance. However, now I understand the benefit that my workers don't have to solicit favor to become

government officers, and will also receive a pension. This will help my workers save for their retirements and feel secure with their jobs. Now my strongest driver for CSR is my desire to support employees so they have a peaceful life, have a stable place to live and don't have to worry about their retirement, as they will have a monthly pension after 15 years of paying insurance. There are some employees who have been working with us for 10 years; I told them that if they work and pay insurance for five more years, then they can enjoy the benefit of social insurance... (Owner B, 2016, research interview)

The last category of drivers for social compliance was *Legal responsibility*. Companies have pressure to comply with government requirements. Otherwise, they might have to close down the factories. Three out of twelve respondents from three companies mentioned government requirements as a driver for CSR practice in their companies.

Legal requirements are key drivers for CSR. We have to comply with government requirements in order to survive. Otherwise, we will not be allowed to operate. (Compliance manager J, 2016, research interview)

The above drivers for CSR practice in SMEs participating in interviews are summarized in Table 4.

Table 5. Drivers for CSR practice

Category(ies)	Driver(s)	Key driver for firm	Frequency
Economic motives	Attracting and maintaining customers	X	6
	Workers' performance		5
	Development of firm		4
	Workers' requirement		3
	Reputation and image		2
Leader's personal motives	Leaders' individual values	X	7
Legal responsibility	Government	X	3

4.3. Obstacles to CSR practice

To answer the question "What are the obstacles for your company to practice CSR?" the respondents were very open to share their

experience and practical examples of challenges they have been facing in implementing CSR practice. They showed concern and frustration about the reality. Many ideas were shared during the interviews which included ten

barriers to CSR practice which were classified into these four categories: *Economic issues*, *Lacking of CSR knowledge*, *Legal issues*, and *Third party issues*.

The first category of obstacles to CSR practice, *Economic issues*, included five obstacles namely: *Factory condition*, *Financial issues*, *Unstable business*, *Pressure of cost competition*, and *Type of employment*. For example, five interviewees mentioned *Factory condition* and *Unstable business* as their difficulties in implementing CSR.

If it is a new factory in a proper industrial zone, it is easy for me to set up the factory to comply with the requirements. However, my factory is located in a village, and the production is traditional handicrafts that have an old history. There are things that cannot be done although I want to do them. For example, for fire prevention and a fire-fighting system, the local government cannot certify. It needs to be a fire department to certify. In order to get the fire department to certify the system, then I will have to invest in a fire-fighting system as well as the facility. It costs to invest, but the business result is not guaranteed. (Owner F, 2016, research interview)

Or, *Financial issues* are claimed as an obstacle by four respondents:

Financial capability is another obstacle. For example, it costs more than a billion dong (\$50,000) to build an automatic fire alarm and fire-hose system. Although the local fire department may accept the enterprise investing in this system in several stages, the auditor will not accept. Therefore, the enterprise has to invest in this system. (Manager J, 2016, research interview)

The second group of obstacles found during the interviews is *Lacking of CSR knowledge* from *workers and CSR executives*. There are two sub-obstacles in this group include *Workers' lack of CSR knowledge* and *CSR executives' lack of CSR knowledge*. As per the respondents, *Workers' lack of CSR knowledge* is the biggest obstacle for companies. One of the respondents said that this is a social issue

due to the results of the education system. Workers were not educated for safety awareness. Therefore, now that they have grown up, it is hard to get them to learn and be aware of what is good and not good in safety. Another issue mentioned by most of the interviewees is that workers did not agree to buy social, health and unemployment insurance. The reason is that workers do not see the benefit in spending a part of their salary for insurance. Interviewees from six of nine companies shared the same concern.

The most difficult thing for me to comply with in social compliance is that employees do not have a sense of safety; while I am more than willing to implement health and safety compliance in the factory... For example, in my factory, when fans are dirty, with hair dirt stuck on the covers, with less air coming out, workers will remove the covers so they have more cool air. They don't understand that it is dangerous for them. Even though I have supervisors to monitor health and safety in the factory; it cannot help completely as sometimes supervisors also do not see it as a problem... Another example is that they do not wear personal protection equipment (PPE) although we provide PPE to them. From time to time when I walk around the factory I do not see them wear PPE. When I ask them why they did not wear PPE, they say they forgot and left them at home. However, when I tell them to be honest, they say 'It's very hot.', or 'I cannot breathe (talking about masks)', or 'I cannot hold things properly (talking about wearing gloves)'... Workers do not see that wearing PPEs are to protect them. (Owner C, 2016, research interview)

The second sub-obstacle is *CSR executives' lack of CSR knowledge*. It was shared by respondents from four out of nine companies. In some cases, CSR executives did not follow up the simple requirements from foreign clients, such as collecting workers' personal information and it causes non-compliance or breaking regulations.

There are cases when our CSR executive failed to keep good track of administrative

formalities that caused us to not comply with the customers' requirements. For example, auditors requested a copy of every document of workers, like ID cards and family book records ... Some workers only submit copies of their ID card and promise to submit the other document later. However, CSR executive did not follow up with those for missing documents... until auditors checked documents during the social compliance audit. The CSR executive did not understand the importance of compliance. (Manager C, 2016, research interview)

The third category is *Legal issues*. The main ideas drawn from the respondents' responses include thirteen statements which are classified in two obstacles including *Lacking of support from related organizations* and *Inappropriate regulations and laws*. Regarding *Lacking of support from related organizations* submitted by respondents from four out of nine companies, there is insufficient support from the Department of Natural Resources and Environment, the Department of Fire Prevention and Fighting, local government or medical hubs, created frustration from both north and south regions. The owner of Company B in the south said:

Another issue is that we lack government support. For example, I would like to use the service of hazardous waste treatment with a local company. However, the company does not sign a contract with us... I feel frustrated with the government officers that make it difficult for me when I want to do the right thing. In order to get that book they asked me to pay a few ten millions of dong of under table money. I was very frustrated, but I have to do it in order to get things done to meet customers' requirements for hazardous waste treatment. (Owner B, 2016, research interview)

The other obstacle in *Legal issues* is *Inappropriate regulations and laws*. Four out of nine companies saw this as an obstacle. Laws require firms to have all workers participate in a social insurance program. However, there are conditions for insurers to receive a pension if they have participated for enough time in the

insurance program, which is impractical. Two informants said that they were hiring old workers i.e. 45-60 year-olds who will not be able to have 15-20 years in service as required by the law. Owner of company D was very serious when she discussed this issue.

Requirement to buy insurance for all workers is difficult for us to comply with. Previously, workers were young. Now young people don't choose this handicraft work as it is manual and the salary is low. Therefore, I have to use experienced workers i.e. old people who are now from 55 to 60 years old. How can they work until 80 years old to get the pension...? For old people who are working for me, if they don't pay social insurance, they can use the 10.5% that they have to pay insurance for saving. They can use that amount of money to support their children or grandchildren and have a happy ending of life rather than spend more than 500,000 dong a month, if their salary is 5 million dong per month, which is a big amount for people in the countryside. This amount is equivalent to a quintal of rice. It is really unfair for them. (Owner D, 2016, research interview)

The last category of obstacles to CSR practice was *Third party issues*. Although it was mentioned by only two informants, it was described as an uncontrollable factor that causes non-compliance. According to one of the interviewees, owners of a quite well set-up factory, 40% of non-compliance findings are because of auditors. Owner of company C said.

The reason for our non-compliance is also partly because of the auditors. Some auditors do not feel good if they cannot find any issue during the audits. I would say 40% of the findings are because of auditors. For other issues, although they are difficult, I still can find ways to deal with them. For auditors, I cannot interfere, as they are an external third party. (Owner C, 2016, research interview)

In brief, identified obstacles to CSR implementation in Vietnamese SMEs are summarized in Table 6.

Table 6. Obstacles to CSR practice

Category(ies)	Obstacle(s)	Key obstacle for firm	Frequency
<i>Economic issues</i>	Factory condition	X	5
	Financial issues		4
	Unstable business		3
	Pressure from cost competition		2
	Type of employment		1
<i>Lacking of CSR knowledge</i>	Workers	X	8
	CSR executives		4
<i>Legal issues</i>	Lacking of support from related organizations	X	4
	Inappropriate regulations and laws		4
<i>Third party issues</i>	Auditors		2

5. Discussion and managerial implications

In terms of understanding CSR, the research findings show that many vendors are not aware of all of the requirements of foreign clients (based on SA8000 international standards). Respondents from only four of the ten studied firms were able to list and describe all criteria for a social compliance audit. This might be the reason leading to their failure in the first audit, as mentioned in the introduction to this paper.

Regarding drivers for CSR, in a comparison with findings from previous studies, three of four drivers identified are currently faced by Vietnamese firms, including Economic motives, Leader's personal motives and Legal responsibility. Among these drivers, *Economic motives* is the only one comprised of 5 sub-drivers. *Attracting and maintaining customers* is mentioned as the key driver for firms to practice CSR. The explanation is that in the case of the studied firms, they have to make an effort to fulfill all requirements to secure orders

from foreign clients. All sub-themes in *Economic motives* are alike in comparison with most of the findings in previous studies (See Table 7).

Respondents in the present study also realize that *Leaders' personal reasons* (like desire, religion, belief, etc) is one of the drivers that causes CSR to be implemented in firms and this factor is raised by responses from seven of nine studied vendors. This factor is not only classified as a driver, but also mentioned as a key for firms. This point can help us to understand whether the implementation of CSR is impacted by the leader. *Government* is the only sub-driver in *Legal responsibility* found in the study. The fact is that interviewees explain this factor as a motive for firm compliance, otherwise these firms will be closed. It seems that firms have considered legal requirements as a driver for their CSR practices. Meanwhile, *any participant in the interviews does not mention Ethical responsibility*.

Table 7. A comparison of drivers to practices of CSR between previous studies and those in the present study

Category(ies)	Previous studies	The present study
<i>Economic responsibility</i>	<i>Customers' requirements</i>	YES
	<i>Image, reputation & branding</i>	YES
	<i>Pressure from employees</i>	YES
	<i>Financial motive</i>	YES

Quality improvement		
Ethical responsibility	Moral motivation	Not identified
<i>Leader's personal issue</i>	<i>Reasons of personal leaders</i>	YES
	Pressure from management	Not identified
<i>Legal responsibility</i>	Pressure from society	Not identified
	<i>Government</i>	YES
	Environmental preservation	Not identified

In respect of obstacles to CSR, obstacles found in the present study have matched previous findings in some categories, such as *Economic issues*, *Lack of CSR knowledge* and *Legal issues*. In *Economic issues*, obstacles that match are related to finance, cost, and profit (See Table 8). Vietnamese vendors did not raise *Lack of customers' concern* as an obstacle to CSR because they have been currently facing the requirements of foreign clients' CSR requirements. However, because of the context of Vietnam, vendors identified *Factory condition* and *Type of employment* as difficulties preventing them from CSR practice. The reason might be that most of the studied firms are small and medium-sized, and they do not have well-equipped factories from the beginning. Therefore, when joining into the global supply chain, they have many difficulties in manufacturing facilities. The present study also echoes previous findings regarding *Lacking CSR knowledge* and *Legal issues*. It can be seen that this factor is one of the common obstacles in different markets for firms to implement CSR. Significantly, from the interviewees' viewpoint, *Auditors* is also a reason creating more difficulties for them in practicing CSR in Vietnam. However, this factor must be listed to explain their failure in the first audit, not in practicing CSR.

From the findings of this study, it can be seen that SMEs in Vietnam have not known all the CSR requirements of foreign customers. That is the crucial reason to explain why most

of them fail at the first audit, and why Vietnamese vendors have many difficulties in maintaining customers and their position in the global supply chain. They have all realized benefits from practicing CSR, and drivers for CSR practices in their firms. Based on the identified drivers, key drivers for CSR practices come from leaders, pressure from customers and the government. Therefore, educating and training managers/owners is one effective way to improve CSR. This activity should be performed, not only in the business context, but also in universities/colleges. Moreover, in order to improve their awareness, the roles of professional associations are also important. The finding of the obstacle to CSR: *Lacking of support from related organizations*, also supports this recommendation. Information about CSR requirements from customers can be effectively delivered through this channel.

In terms of barriers to CSR, research findings show that the lack of well-equipped factory, of CSR knowledge and of support from related organizations are major stumbling blocks preventing firms from practicing CSR. Among these three obstacles, *Lack of CSR knowledge* and *Lack of support from related organizations* can be addressed by professional associations. Associations will help firms by organizing training courses and/or sessions to improve CSR knowledge and close the gap between firms and their industry. With this activity, firms need support from the government in making a bridge to associations.

Table 8. A comparison of obstacles to CSR practice from previous studies and those in the present study

Category(ies)	Previous studies	The present study
<i>Economic issues</i>	<i>Financial issues</i>	<i>YES</i>
	<i>Pressure of cost competition</i>	<i>YES</i>
	Lack of customers' concern	Not identified
	<i>Pressure of profit</i>	<i>YES</i>
		<i>Factory condition</i>
	<i>Type of employment</i>	
HR resources	HR resources	Not identified
<i>Lack of CSR knowledge</i>	Society pressure	Not identified
	<i>Lack of CSR knowledge</i>	<i>YES</i>
<i>Legal issues</i>	<i>Regulations and law</i>	<i>YES</i>
	<i>Lack of support from related organizations</i>	<i>YES</i>
Reasons of personal leaders	Leader's personal issue	Not identified
<i>Third party issues</i>		<i>Auditors</i>

6. Concluding remarks

One of the significant issues for Vietnamese manufacturing firms to participate in and maintain their position in the global supply chain is a proper response to the CSR requirements of foreign clients. The fact is that not all Vietnamese firms are aware of these requirements. Therefore, a pivotal lesson for Vietnamese firms is that they need to actively approach and study their clients and agencies, like WECA, to update and improve their CSR practice. The other issue from the research findings is that the government should support firms by organizing professional associations and help them in adapting to requirements in facilities and regulations. Being a responsible business is not easy for most Vietnamese firms. The main contribution of the present study to the CSR literature is not only to confirm previous studies (in terms of drivers for and

obstacles to CSR), but also to identify some new ones. This helps to explain the context for CSR practices in a developing country like Vietnam, which is mainly based on export to develop its economy.

The present study is facing some limitations. Firstly, this study employs a qualitative approach. Only one industry and limited SMEs participated in the study; so it is not appropriate to help understand CSR practice in other SMEs. Therefore, a large-scale qualitative study is necessary to explore all aspects of CSR in practice. The other limitation is that the study focused only on interviewing managers/owners, not on other internal stakeholders' perspectives of CSR, such as employees. To have a better understanding of their current CSR practice, all viewpoints about this issue should be investigated.

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Appendices

Interview questions

Background of company

1. When was this factory established?
2. Who founded the factory?
3. Who are your main customers and where are they from?
4. Do they require social compliance? If yes, what are the requirements?
5. Do they monitor the social compliance? If yes, how do they monitor social compliance at your factory?

Personal background of respondents

6. When did you start managing the company / the department / production?
7. What is your position and responsibility in the company?
8. What did you do before your current position?
9. Are you currently handling CSR activities in the company?

Part 1: Understanding of Connor's clients CSR requirements

10. How long have you been working with Connor and supplying to their clients?
11. How many WECA's clients are you supplying to? Who are they and where are they from?
12. Do the customers require CSR or social compliance?
13. What do you know about the clients' social compliance requirements?
14. How about
 - a. Prison / forced labor
 - b. Freedom of association
 - c. Health & safety
 - d. Child labor
 - e. Wages & benefits
 - f. Working hours
 - g. Discrimination
 - h. Regular employment
 - i. Disciplinary practices
 - j. Environment

Do you think they have requirements for the above issues?

Are these considered as social compliance issues?

Part 2: Feedback about CSR implementation in practice

What do you think about CSR implement in you factory?

18. Is it easy or difficult for the company to comply with clients' social compliance requirements? Why?

Part 3: Understanding of drivers for CSR practice

19. Why do you think Connor's clients require CSR compliance? (drivers for CSR)
20. What are the motives for your company to practice CSR?
21. What do you think about ... (drivers from literature review)?
22. Do you think above factors are reasons for you to practice CSR?

Part 4: Obstacles to CSR practices

23. What are the difficulties for CSR practice in your factory?
24. What do you think about... (obstacles from literature review)?
25. Do you think the above factors are obstacles for CSR practice?

Part 5: Supports for CSR practice

26. Are there any requirements that can be done/implemented with outside support?
27. What are these issues?
28. Who do you think is able to support you in CSR implementation?
29. How would you like them to support you?