

EXPERIENCES IN THE IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITIES FOR EMPLOYEES AND LESSONS FOR SMALL AND MEDIUM ENTERPRISES IN PHU THO PROVINCE IN THE CONTEXT OF INTERNATIONAL INTEGRATION

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Abstract

In the context of world economic integration, the implementation of social responsibility is an indispensable factor for businesses that want to expand the market, especially the international market. In recent years, in our country, along with the emergence of CSR (CSR) in large enterprises and the trend of deeper and deeper economic integration, CSR of Small and medium enterprises (SMEs) is increasingly concerned and is considered the core of the success value of enterprises. This article will analyze the experiences in the implementation of CSR of SMEs in the world and Vietnam and suggest some learned lessons for SMEs in Vietnam in general and in Phu Tho province in particular.

Keywords: *Corporate Social Responsibilities, Small and Medium Enterprises, Phu Tho;*

1. Introduction

Over the last decades, CSR as a concept has attracted the attention of many researchers in the management sphere. In fact, most of them have created different models and theories concerning the CSR concept, the matter that led to different approaches for CSR. From this point, it is sufficient to overview the commons and differences between various theories of CSR, to come up with a common implementing form for CSR approach that reflects the interest of shareholders and the community as well. CSR definitions, theories, and models were investigated by many scholars, such as Reza Safaradz, Milton Friedman, James Brusseau, Archie

Carroll, R. Edward Freeman, Elisabet Garriga, and Domenec Mele, Maryna Saprykina, Yaroslav Kutovy. Reza Safaradz (2017) defined the CSR concept as a legal requirement for a company that includes continued commitment toward the community. He added that the main goal of a company is to increase the efficiency and productivity of its operations and to maximize its shareholders' profit. But all this must be done by integrating the community ethical and environmental expectations into the company economic processes.

Milton Friedman (1962) was against the mentioned CSR concept as a whole, he believed that companies' management has only one responsibility

which is to maximize the profits of its owners and shareholders. He argued that social problems should be resolved independently by the free market system mechanism. James Brusseau (2011) gave two definitions of CSR. First, it's a general name for any theory of the corporation that emphasizes both the responsibility to make money and the responsibility to interact ethically with the surrounding community. Second, CSR is a specific concept to achieve a profit for the company while it plays a role in community welfare. Then he added that CSR as a specific theory was composed of four companies' obligations: Economic responsibility to make money; Legal responsibility to adhere to rules and regulations; Ethical responsibility to do what's right even when not required by the letter or spirit of the law, and Philanthropic responsibility to contribute to society's projects even when it's independent of the particular business.

Archie Carroll was one of the most popular scholars at the management field who consolidated James Brusseau definitions for CSR, he created what is known nowadays as "Carroll's Pyramid of CSR". Carroll's four parts of CSR were originally stated as follows: CSR includes the economic, legal, ethical, and philanthropic expectations that society has toward an organization. Later, based on it, he designed the CSR pyramid. Through Carroll's (2016) point of view, CSR obligations should be taken in order from bottom to top, from economic responsibility to legal to ethical to philanthropic. If corporations achieve the first responsibility efficiently, then they can move to the next one. Carroll made a specific theory for the way that corporations interact with its surrounding community and the whole world, this theory is known nowadays as Carroll's Pyramid of CSR (Fig.1). Carroll's theory is composed of four obligations that create a foundation or infrastructure for the business's responsibilities toward society.

Economic responsibility is the obligation of a business to make money. Carroll placed the economic obligation in the base of the CSR Pyramid because it's vital for business survival. Any

corporation or organization, even if it's a non-profitable organization, as a charity association needs assets to succeed and sustain. According to Carroll, the first step in implementing CSR is to enroll in business operations and to make profits. Carroll added that profits are necessary to reward investors and owners. Moreover, profits must be reinvested back to maintain business growth. Economic responsibility is represented by a corporation through investments, marketing strategies, business operations, and long-term financial strategies with various stakeholders. For example, when a corporation enrolls in business operations, it must hire many employees and it will deal with different stakeholders like vendors, sellers, marketing consultants, stockholders, investors, insurance companies, banks, and financial institutes. Variant stakeholders will be affected positively if the corporation achieves profits, this what economic scholars named Win-Win theory. As a result, stakeholders will make profits, the money circulation process will improve and a corporation will successfully achieve its CSR economic responsibility.

Legal responsibility means corporations must respect laws and regulations. According to Carroll's Pyramid theory, Legal Responsibility is placed in the second level of the CSR Pyramid. A responsible corporation is a corporation that accepts the rules of a fair business game. A responsible corporation adheres to law because it believes that fair business reflects positively on the whole economy and society. If a corporation makes tax evasion process, or deals with money laundering activities, or even produces a toxic product, it is illogical to consider it is sharing in CSR values.

Ethical responsibility. Corporations must behave as a good citizen in their society. Such responsibility allows corporations to make what is good for society even the law doesn't require it. Carroll mentioned that corporations must be responsive to the spirit of the law, not just to the letter of law. In other words, ethical responsibilities embrace fair activities done by a corporation and

expected by society. For example, fishing companies are allowed to hunt unlimited amounts of fish in the Middle East seabed, but it is immoral to hunt larger quantities than the quantity required by the market. Civil societies and associations play an important role in determining the ethical controls of companies until these controls become official laws.

Philanthropic responsibility. It is a voluntary activity guided by the business's desire to participate in social activities that are not mandated, not required by law, and not generally accepted in business as ethical sense. So philanthropic responsibility is a pure giving for society, it's an activity or project created by a corporation and purely dedicated to community expectation. At the philanthropic level, the business corporations could satisfy what is desired by their society. To fulfill philanthropic responsibility, corporations engage in various giving forms, as sponsoring sports activities like an annual marathon or volunteering employees in donation campaigns, etc. The value behind philanthropic activities is to reveal a good citizenship image of the company and increase its reputation.

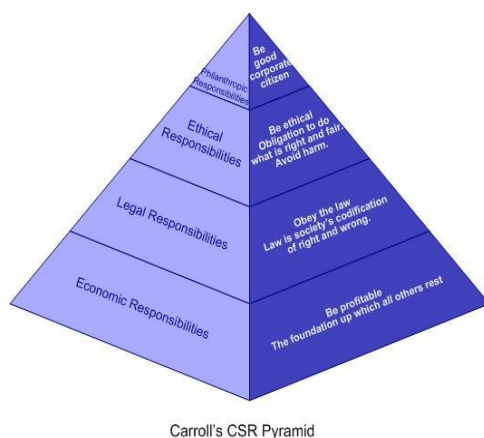


Figure 1: Carroll's Pyramid for CSR

Recently, the World Business Council for Sustainable Development also introduced the following concept: "CSR is a commitment in ethical conduct and contributes to economic development, improving the quality of life of workers and their families, as well as the community, locality and the whole society in general". Sociology considers social responsibility as a spiritual, ethical, and

cultural commitment to the family, the local community, and the entire society, staff, and environment. In a market economy, every individual and business behave in the best way possible within the framework of the law.

The market economy described by K. Marx in his works is not socially responsible, in which the capitalist is described as a brutal, inhuman, cultural exploitation to maximize short-term profits. That description helped the market economy improve itself in the struggle of the people along with the progress in the awareness of economic science.

In the current context, the current model of the market economy and the role of the State are not only imperfect but also have serious shortcomings that need to be discovered and corrected; and need to consider the responsibilities of each participant and have strict laws to overcome. CSR is briefly defined as an enterprise's commitment to conduct by the interests of society in activities related to the interests of customers, suppliers, and employees, shareholders, community, environment. Accordingly, social responsibility is considered a category of business ethics, related to all business activities of the enterprise.

In a globalized economy, as human awareness of environmental risks increases, so does the demand for social responsibility, such as the requirement to control the emissions of cars circulating on the streets, to control the level of smog in residential areas... In particular, there are at least 4 groups of subjects that businesses must be responsible for conducting the following subjects: markets and consumers (including investors, banks, suppliers, and partnerships); workers; community in the region, in the country and around the world; and habitat.

Thus, it can be simply understood, CSR includes the various aspects of the relationship between business and stakeholders. These relationships are closely associated with the process of production, marketing, and consumption of products of enterprises. Specifically, the aspects of CSR are as follows: Responsibility for consumers

and commodity markets; Responsibilities for common environmental protection; Responsibility for employees of the business; Responsibility to the community and society

In these respects, the responsibility for environmental protection together with the common responsibility for the benefit of the social community is the most important; it contributes to promoting sustainable development. This article aims to synthesize the CSR experiences of enterprises in the world, which are valuable and meaningful for SMEs in Vietnam in general and Phu Tho province in particular.

2. Experiences in the implementation of CSR of SMEs

2.1. International experiences

2.1.1. Implementing the CSR of SMEs for employees in Guangdong province, China

China is a country with similar political, economic, and social institutions to Vietnam. Like Vietnam, the policy of economic reform and opening in 1979 led to the result of rapid economic growth. One of China's localities with remarkable economic growth in Guangdong - a province located in the southern part of mainland China. Guangdong has a large area and a population of over 90 million and 21 municipalities. The average growth rate of the province in the period of 2010-2015 reaches 13.7% / year; the total product value of the province is RMB 3460.6 billion, accounting for 1/8th of the national GDP; financial budget from Guangdong reaches 875 billion RMB, accounting for 1/7 of the whole country; import-export turnover reached 734 billion USD, accounting for 1/3 of the whole country (Tran Phuong, 2018). This remarkable development is attributed to the contribution of SMEs in the province; part of the underlying reasons is that SMEs in the province have well-implemented CSR for their employees.

The SMEs of Guangdong has been implementing legal responsibility for their

employees very well. Specifically, some SMEs have developed an open, flexible mechanism for their employees, such as no household registration; recruited workers can work elsewhere to increase income, as long as it does not affect the work of the enterprises; protect the legal rights of employees; help them get training and vocational training, their children go to school for free, land ownership of workers in their home is protected. In particular, the recruitment of talented people into businesses does not discriminate in terms of qualifications, social status, or nationality. On the other hand, SMEs of Guangdong are concerned about economic responsibility for workers, which is focused on the issue of wages, allowances, and benefits of employees. Enterprises have established a wage guarantee fund to protect workers' wages that are delivered on time and in full.

Another issue that is also of great concern is the fact that enterprises in Guangdong have implemented restrictions on mass leave for employees. Enterprises want to lay off 20 employees or more or dismiss 10% of the total number of employees or more, business owners must notify the local labor and social insurance sectors 30 days in advance and must be approved. Besides, about social insurance issues, since Jan 2009, enterprises of Guangdong have applied a 50% reduction in the paid rate of labor accident insurance; general health insurance is reduced by 2%, hospitalization insurance reduced by 3%.

With this flexible way, SMEs of Guangdong have created a good working environment and conditions for employees, paid attention to the health and safety of employees' lives, without any discrimination in labor. In other words, these businesses are fulfilling their legal and economic responsibilities to their employees, making them loyal to their businesses. The above lessons from Guangdong are of great interest in the process of developing and implementing CSR of SMEs for workers in localities in Vietnam in general and in Phu Tho province in particular.

2.1.2. Implementing the CSR of SMEs for employees in Tokyo, Japan

Tokyo is one of the fastest-growing cities in the world. Not only is the administrative center of Japan, but Tokyo is also the economic center of the world. As of 2015, 48 businesses on the global 500 list are headquarter in Tokyo, the majority of which are SMEs. These enterprises all perform well their CSR to their employees, specifically as follows:

The SMEs in Tokyo have implemented a lifelong recruitment system to create stable jobs for employees - an expression of economic responsibility. This is a permanent employment regime, in which few people change jobs; the percentage of employees who have continuous, long-term working time is very high. Annually, SMEs in Tokyo will recruit many young graduates just under the form of indefinite employment contracts and those employees will work continuously in these enterprises until retirement. Therefore, SMEs in Tokyo attaches great importance to and creates conditions for their employees to be able to move from one department to another, enable their employees to be able to be trained through different positions.

In addition, employees are also interested in and cared for until retirement thanks to the promotion system and salary increases based on the number of years of continuous work. For the salary of the employee will be increased every 12 months; those who are near the retirement age, do not implement the wage increase regime. It can be said that with this approach, employees in businesses in Tokyo rate the highest job satisfaction level compared to other countries.

For ethical responsibility, annually, every employee is trained in necessary skills and knowledge at different levels to serve the current and future needs of the business; at the same time, SMEs always create conditions for employees to have opportunities to work with colleagues in other enterprises in and outside the locality to learn from experience and coordinate well-related work. As such, SMEs in Tokyo have done a good job of moral

responsibility for their employees. Besides, businesses also carry out legal responsibilities such as non-discrimination, creating equal employment opportunities, not accepting child labor or forced labor, paying attention to the human rights of employees.

With these jobs, each SMEs in Tokyo become a relatively closed, flexible, and sustainable organization. Being aware of CSR for employees is the most important, so SMEs in Tokyo always focus on and well fulfill their economic, legal, and ethical obligations. The way of Tokyo SMEs is very methodical, meaningful in both theory and practice, and lessons learned for localities in our country in implementing CSR for employees.

2.2. Experiences from enterprises in Vietnam

2.2.1. Implementing the CSR of SMEs for employees in Bac Ninh province

Starting from the purely agricultural province, after 20 years of re-establishing the province, Bac Ninh has risen sharply and become one of the provinces with fast development speed with many right targets in the top of the country such as the size of the economy ranked 6th, export industrial production value ranked second, economic structure shifted positively, The proportion of industry and service accounts for 95% (Pham Vinh, 2018). To achieve such results is the contribution of the business community, including the provincial SMEs.

Recently, SMEs in Bac Ninh province have fulfilled their economic responsibilities as well as actively contributed to the social security of the locality, contributing to creating jobs and stable incomes for over 6,000 employees, the lives of employees in enterprises in recent years have improved significantly. The average salary of employees increased steadily over the years. Most SMEs in Bac Ninh has developed and registered their labor regulations and collective labor agreements as prescribed. At the same time, charitable responsibilities such as taking care of

health and spiritual life for employees are also performed well by these businesses. Some enterprises have built soccer fields, volleyball courts; the Board of directors of enterprises often cooperates with unions to encourage employees to participate in cultural, artistic, physical training, and sports activities. Besides, insurance policies such as health insurance, social insurance, and unemployment insurance are all fully implemented by enterprises for employees. In particular, the SMEs of Bac Ninh often coordinate with trade unions to build harmonious labor relationships at enterprises.

Thus, with the cooperation between enterprises and trade unions, SMEs of Bac Ninh has been able to carry out economic and charitable responsibilities to employees quite well, significantly improving the lives of employees, bringing about continuous development in businesses. This is a valuable lesson for Phu Tho province in implementing CSR for employees.

2.2.2. Implementing the CSR of SMEs for employees in Vinh Phuc province

Vinh Phuc province belongs to the Red River Delta Region, the key economic zone of the North and the Hanoi capital. Since the re-establishment of the province up to now (1997 - 2019), Vinh Phuc has made great strides and achieved great achievements. The economy is constantly growing at a high rate of nearly 15% per year. The economic structure has been shifted towards increasing the proportion of industry – construction, and services and reducing the proportion of agriculture, forestry, and fishery. The industrial production value, budget revenue, gross provincial product (GRDP), competitiveness index (PCI), and human development index (HDI) of Vinh Phuc are always ranked among the top 10 provinces and cities nationwide.

This achievement has an important contribution to investors and enterprises in the province, including the efforts of SMEs in the province. Due to the current urgent needs,

production, and business activities in the market economy require SMEs in Vinh Phuc to flexibly apply management methods and well implement their CSR to employees. First of all, these enterprises are aware of and clearly define economic responsibilities through creating stable jobs, paying salaries and bonuses to employees as a basic and indispensable responsibility; it is necessary to fully and promptly carry out because all human production and business activities are for economic benefit; salary is always associated with production and business efficiency and will improve the stable living standards and development of employees. Regarding the legal responsibilities of SMEs in Vinh Phuc province, such as the situation of labor relations is always improved; the payment of all types of health insurance and social insurance for employees is always sufficient and timely; the number of strikes and labor disputes in enterprises has decreased significantly over the years.

Besides, the spiritual and cultural life of workers in SMEs in Vinh Phuc province in recent years has been focused on by trade unions and employers, such as improving working conditions, health care, and organizing recreational activities for employees. Many businesses have paid attention to and invested in facilities for cultural, arts, physical training, and sports activities for employees. Many businesses have organized sports and arts tournaments for their employees annually.

In particular, the Provincial Labor Confederation guides the trade unions to coordinate with business owners to develop some pilot models of cultural life for employees in these SMEs. In particular, the provincial Labor Confederation has provided labor newspapers and legal books for trade unions of enterprises so that employees, employers, and trade unions have conditions to look up new content and new policies for employees. Thus, the experience of implementing CSR in terms of economy, legal, and charity of SMEs in Vinh Phuc province to employees has helped Phu Tho province have lessons and clear directions in the future.

3. Lessons for SMEs in Phu Tho province

By studying the successful experiences of SMEs in foreign countries and Vietnam in implementing CSR for employees, some lessons can be drawn for SMEs in Phu Tho province under the current conditions, as follows:

3.1. On the side of state management agencies

- Raising awareness about CSR for enterprises. In recent years, many businesses, especially Vietnamese exporters to the US, EU, and Japan markets, have frequently faced reporting requirements related to CSR. Since 2008, the United Nations Development Programme (UNDP) has had a project to encourage the implementation of CSR under business practices for enterprises in Vietnam. Some other international organizations and institutions have similar projects.

However, in reality, CSR has not been adequately paid attention in Vietnam. Most enterprises are not fully aware of CSR as well as its role in improving competitiveness and sustainable development of enterprises; even some enterprises still consider CSR as a cost burden. Therefore, continue to propagate, disseminate and raise awareness about CSR more strongly; expand the scope and participants of social responsibility, should not be limited to businessmen, enterprises, agencies, and organizations, but must be directed to the community and the local community, including the introduction in general education programs.

- Strengthen propaganda to businesses about the obligations and benefits of the implementation of CSR. The propaganda can be done through many forms such as: through the mass media, mandatory training courses for leaders of enterprises, conferences, scientific seminars... Moreover, this propaganda needs to be extended to all relevant state management agencies, managers, macro-policymakers... At the same time, the content of CSR performance, up-to-date information on the codes of conduct, relevant social responsibility standards need to be fully and disseminated to the enterprise.

- Clearly define responsibilities of state management agencies and stakeholders in terms of policymaking, information provision, propaganda, checking and handling violations of enterprises on issues related to CSR in general, issues related to responding to the market, consumers, and environmental protection in particular. Coordination between state management agencies and other stakeholders is also very important because CSR is only respected and becomes urgent when there is a comprehensive monitoring mechanism, with the combination of the government and civil forces in society, especially associations, non-governmental organizations, and the media, newspapers.

- Develop a set of codes of conduct and professional and national standards on social responsibility for enterprises. Experience from Japan shows that CSR depends heavily on the will and interests of enterprises, which are directly the Board of Directors.

However, up to now, CSR has become quite popular and substantive. This will be an incentive to encourage businesses to perform stronger after the common CSR standards and standards are officially applied. Vietnam is currently working on developing a CSR code of conduct. At the same time, it is necessary to develop a set of Vietnam's CSR evaluation standards based on international experience, following domestic conditions.

- Besides, it is necessary to issue policies to encourage and support enterprises to implement CSR. Strong measures are needed to handle violations of enterprises in the implementation of CSR, especially for enterprises producing agricultural products and food products of poor quality, affecting consumers' health and lives and causing environmental pollution. At the same time, it is necessary to strengthen the forms of encouragement, and reward for enterprises that self-discipline and fulfill their CSR as social responsibility awards, "green" brand, certification for businesses to ensure the requirements related to the standards of CSR in the Code of conduct is being applied... Need initial support to motivate SMEs to

implement CSR for employees. The implementation of CSR for employees is a continuous, long-term implementation process, requiring a lot of time, readiness, and basic capabilities to research, develop plans, and implementation strategies. Therefore, initial support is needed to help businesses wishing to apply CSR to employees rather than being forced to do so. Achieving this goal requires the support of the Government, departments, international organizations, and non-governmental organizations.

- Consider CSR as a criterion for selecting investors and strengthening cooperation with countries that have well-implemented CSR. Experience from Japan shows that business that performs well in social responsibility is also capable of capital, technology, businesses with business ethics, and a sense of contribution to the local community where they do business. Implementing a harmonious, long-term, and sustainable business strategy of foreign-invested enterprises that well implement CSR can bring learning opportunities for domestic enterprises, forcing domestic enterprises also to gradually raise awareness of CSR to be able to participate in production networks of foreign companies.

3.2. On the side of enterprises

- Firstly, set up a professional and responsible sector of the CSR.

A common practice among Vietnamese companies is that CSR activities are often not carried out consistently and often. The main reason is that there is no professional and responsible sector of the CSR in the enterprise. Therefore, to improve the CSR, it is necessary to set up a department in charge of CSR.

Accordingly, this specialized department should have the appropriate scale and components suitable to the organizational structure of the enterprise, including sections related to the selected CSR issue. On the other hand, a specialized department, the members also need a common understanding of CSR; besides, it is possible to hire more external experts to join as part-time members

to advise the specialized team and the company on social responsibility issues.

The establishment of a specialized department can incur costs for businesses but this is very necessary for businesses when they are in the beginning stages of CSR implementation when the principles and standards of CSR are not well understood by employees when the CSR activities have not been systematically implemented. Later, when the CSR activities went into order, when the employees had good awareness and actively implemented CSR activities, members of the specialized department can return to work in their departments.

- Second, strategic planning on CSR.

In production and business strategy, enterprises should also have strategic plans on CSR, because only when there is a strategy can the enterprise identify the objectives and plans to implement CSR in an active and long-term manner.

In strategic planning for CSR, a company's management with the help of a specialized department on CSR can take several steps: Identify the vision of CSR; Analyze the current state of CSR and the impact of environmental factors to determine the priority order of issues related to CSR, conditions, and resources for CSR implementation; Proposing some overall solutions to implement CSR.

- SMEs need to invest time and budget for CSR for employees. Most enterprises lack budget due to fierce competition on the price of products, inefficient use of resources, improving product quality. As a result, enterprises are always under pressure on finance and time. This is a barrier that hinders CSR implementation from employees. Therefore, businesses need to invest time and budget to implement CSR for employees.

- SMEs need to fulfill all 4 economic, legal, ethical, and charitable responsibilities to employees, namely:

+ Flexibility in the payment mechanism and attention to social security issues such as social insurance, health insurance, labor safety, and other benefits for employees.

+ Need to design working time, rest time, legal and reasonable overtime for employees.

+ It is strictly prohibited to discriminate between employees in the appointment and assignment of responsibilities to talented people; Should not discriminate between types of training, personal or ethnic background, religion, gender, nationality in the enterprises' recruitment process. By doing so, create a healthy, fair, and equal working environment.

+ Programs, plans, content, training methods for employees should be implemented to suit the conditions of the enterprises. Besides, enterprises create opportunities for career advancement or promotion for employees.

+ Need to create a healthy and useful playground for employees to help improve the spiritual-cultural life for employees.

4. Conclusion

In this article, we conducted a review of the literature on CSR in SMEs as well as synthesized the experiences on CSR of SMEs in the world and some locations in Vietnam, then, drawn some lessons for SMEs of Phu Tho province in terms of international economic integration. Hoping that with the lessons learned, SMEs can step by step improve their CSR implementation with employees, in order to gradually improve their operational efficiency in the coming time.

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